California Journal Suspends Publication

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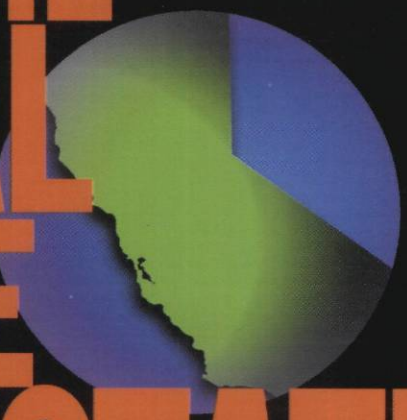
THE REAL STATE OF THE STATE



SOLUTIONS FOR CALIFORNIA'S FUTURE

A special issue in partnership with New America Foundation

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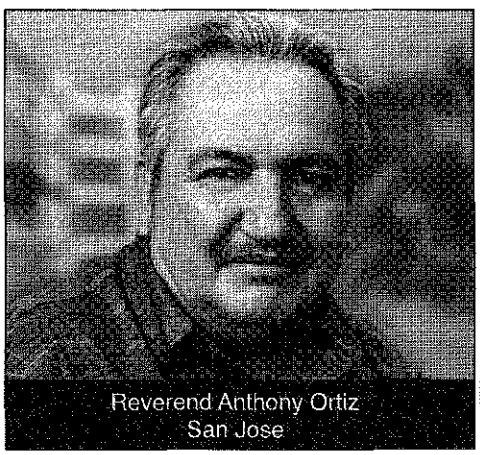
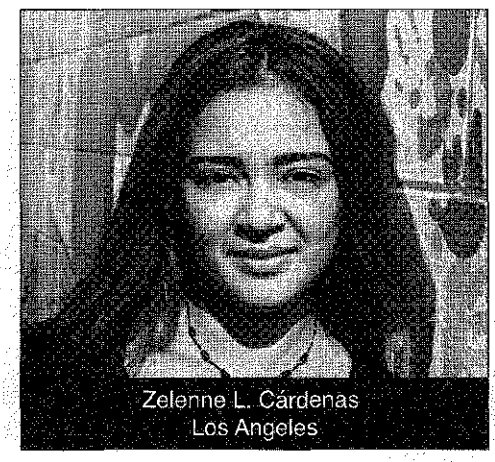
The California Wellness Foundation

2004 California Peace Prize



Reverend Anthony Ortiz
San Jose

"There's a social ill that we have to address like a medical problem. Gang violence is a plague and the penal institutions are not the remedy. What works are the programs which are community-based and give kids more choices and the life skills they need to leave gangs."



Zelenne L. Cárdenas
Los Angeles

"Even among all the violence on skid row the young people here remain hopeful. I am constantly amazed by their resilience, impressed by their creativity, encouraged by their humor and inspired by their courage and that's what keeps me engaged."

Patricia Occhiuzzo Giggans
Los Angeles

"Violence is preventable. If we can learn it, we can unlearn it. Sound education and enlightened public policies are necessary. But I believe that there are so many things — even small acts based on attitude and behavior changes — that we can do to teach ourselves and others to make connections between people and prevent violence."

Violence is *preventable!*

Violence has declined dramatically in California — largely because of effective violence prevention programs. These life-saving programs have also saved taxpayer dollars that would have been spent on incarceration — up to $3 for every $1 invested. Who creates and oversees such programs? Leaders of nonprofit organizations that are deeply vested in rooting out violence in their communities.

The California Wellness Foundation honors three of these outstanding community leaders with the 2004 California Peace Prize. The **Rev. Anthony Ortiz, Zelenne L. Cárdenas and Patricia Occhiuzzo Giggans** will each receive a cash award of $25,000 as an acknowledgement of their commitment to prevent violence and promote peace in their communities.

The California Wellness Foundation is an independent, private foundation created in 1992 to improve the health of the people of California. Violence prevention is part of our mission because the characteristics of a healthy community, as defined by the World Health Organization, include a safe physical environment. To learn more about our 2004 honorees and the Foundation, please visit **www.tcwf.org**.

The California Wellness Foundation
Grantmaking for a Healthier California

6320 Canoga Avenue, Suite 1700, Woodland Hills, CA 91367
www.tcwf.org

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california JOURNAL
January 2005
Volume XXXVI, Number 1
californiajournal.org

4 Upfront
6 Talking Points
29 Southern Exposure
By Sherry Bebitch Jeffe
35 Soapbox
By Scott Kennedy
42 D.C. Perspective
By Marc Sandalow
48 People
49 Rostrum

from the editor

Stand with us ...

Here, in these pages, is the essence of this magazine's unique mission: to present provocative ideas and stimulate a dialogue about California's future in a way that rises above the often-rancorous nature of partisan politics. So, it is both ironic and fitting that the content of this issue also should serve as the *Journal's* finale after 35 years. But this note is not a "farewell;" those appear elsewhere. Instead, I want to recognize those who make the *Journal* happen. Circulation manager Bernadette Grabb adeptly handles distribution of the magazine, while advertising manager Tim Foster has been responsible for a substantial increase in ad sales over the past year. Senior Editor John Howard has produced numerous thought-provoking cover stories each month while Managing Editor Claudia Buck has skillfully edited each issue with painstaking care. And finally, the exemplary look and texture of each *Journal* is due to the talents of Art Director Dagmar Thompson. To a person, their professionalism and dedication are the primary reasons that *California Journal* exits at the top of its game.

A. G. Block

The *real* State of the State

The challenges facing California are deep and pervasive and require both innovation and courage on the part of the state's leadership. Whether in health care, education, energy, government finance or the elusive concept of "governance," solutions — even progress — require creative thinking and provocative ideas. To this end, *California Journal* has teamed up with New America Foundation and its California Fellows to present novel approaches to old and intractable problems.

8 The Great Disconnect: Voters and their Government
By David Lesher
13 Re-sizing the Legislature
By Heather Barbour
16 Technology's Role in Future Politics
By Farai Chideya
20 New Democracy: Abandoning "Winner-take-all" Elections
By Steven Hill
25 The Disappearing Dream of Home Ownership
By Reid Cramer
30 Building Wealth for All Californians
By Ray Boshara and Anne Stuhldreher
40 Health Insurance and Shared Responsibility
By Laurie Rubiner
44 Is California Losing Its High-Tech Edge?
By Thomas Kalil
50 Needed: A Progressive Vision for Los Angeles
By Joel Kotkin
54 Making the Grade: Public School Reform
By Jennifer Nelson
58 The Latinization of California
By Gregory Rodriguez

Cover: Dagmar Thompson

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upfront

umbrage

Tipping our hat

California Journal is more than a monthly publication; it is a labor of love. It has existed — prospered in its own way — for 35 years because of the talents and dedication of its staff. Since this could be the final edition of *California Journal*, it is time to acknowledge the family of editors, writers, designers and office personnel responsible for producing 421 issues of this unique publication.

Founders: Jud Clark, Jerome Evans, Vic Fazio and Tom Hoeber

Publisher: Tom Hoeber. (Through various business incarnations, only one person truly filled the role of publisher. When his co-founders went off to other endeavors, Tom Hoeber remained with the magazine, serving as its guiding light for 25 years.)

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The *Journal*'s decision to suspend publication also impacts loyal vendors who have stuck with the magazine through the years. Chief among those is Sierra Printing of Rancho Cordova, which has treated the *Journal* as royalty for more than two decades.

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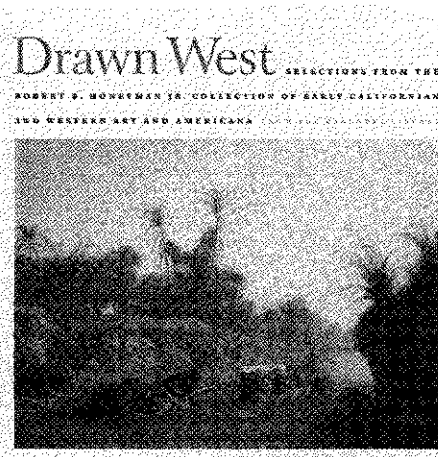
talking points

Excerpts:

From the bookshelf

Drawn West
By Jack Von Euw and Genoa Shepley
The UC Berkeley Bancroft Library and Heyday Books



California history is replete with the accounts of fortune seekers, explorers, missionaries and desperadoes who headed West to fulfill their dreams. But also lured were artists, cartographers, illustrators and engravers, all of whom depicted California in artworks that remain radiant a century and a half later. In *Drawn West*, Jack Von Euw and Genoa Shepley have selected more than 100 illustrations from the spectacular Robert B. Honeyman collection at The Bancroft Library at the University of California, Berkeley, and linked them with a compelling narrative. Shepley, a Fine Arts librarian at Bancroft, has written extensively on the arts, and Von Euw, a graphic designer, makes a good team. The result is an intriguing, emotional presentation, a sort of pulled-aside curtain that peers into early California through the eyes of its artists. This is no coffee-table book—nearly 200 pages in a fine, table format, a staple of Heyday Books—but it is a satisfying read and one that breaks from conventional California histories.

Teens:

Some surprises

Teenagers are waiting longer to have sex, says the recent National Survey of Family Growth. For the first time in the federal survey's 30-year history, it found girls are more sexually active than boys. In 2002, 47% of girls and 46% of boys reported being sexually active. For boys, that's a dramatic decrease from 55% in 1995.

Media:

Union redux

The Sacramento Union is back. Founded as a newspaper in 1851, during the Mark Twain era of California journalism, *The Union* closed as a daily in the early 1990s but has resurrected itself as a slick monthly magazine and a Web site. The Web site (*www.sacunion.com*) carries a lot of daily wire copy but also runs columns and editorials by *Union* staff—much of it aimed at the Capitol. The first monthly—with Gov. Arnold Schwarzenegger on the cover—appeared in November and was billed as a "special preview edition." The first regular issue is slated for this month. And does the new *Union* tack right, like the old *Union*? Its editorial advisory board might give a clue. It includes, among others, former Republican legislators Barbara Alby and Larry Bowler, as well as David Stirling of the Pacific Legal Foundation, Lew Uhler of the National Tax Limitation Committee, talk-show hosts Eric Hogue and Mark Williams, GOP political consultants Sal Russo and Bill Saracino, and Joseph Farah of WorldNetDaily.com. The publisher is James Smith and the editor is Ken Grubbs Jr.

Quotables.....

"... It sounds like sour grapes from someone who is going to be a casino greeter in two years."

— Margita Thompson, Gov. Arnold Schwarzenegger's spokeswoman, responding to a verbal barrage from Lt. Gov. Cruz Bustamante as quoted in *San Jose Mercury News*

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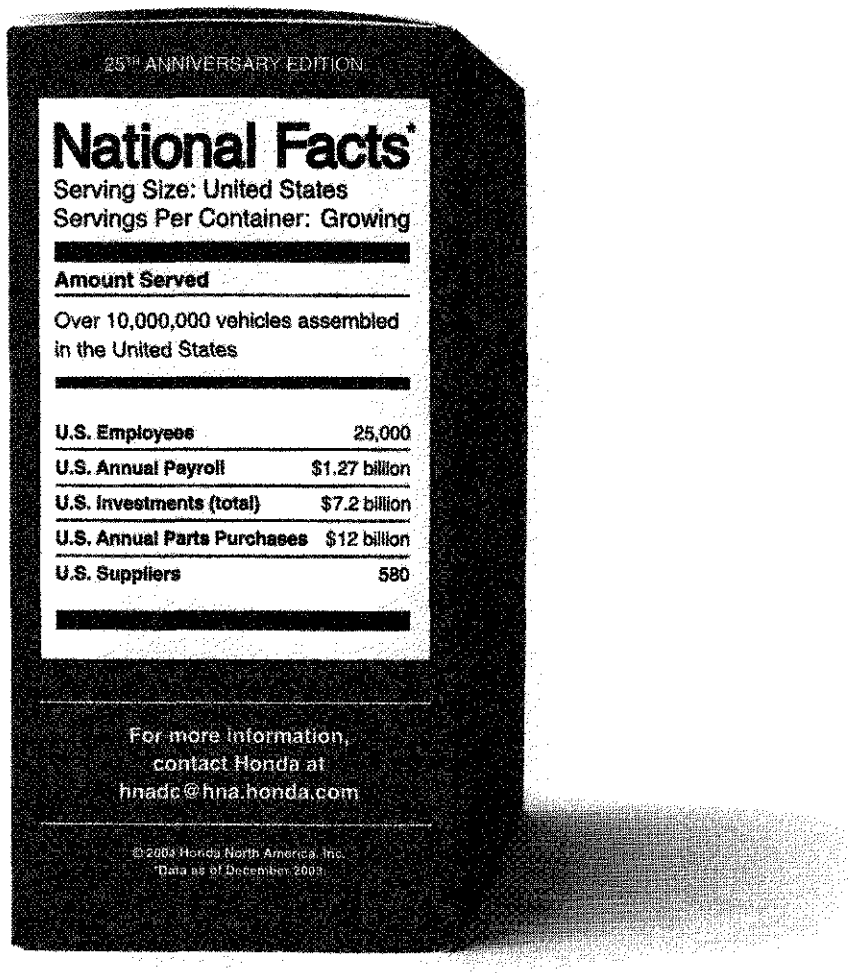
What's in a Honda?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CALIFORNIA GREAT DISCONNECT

The governed and the government

By David Lesher

David Lesher is the California Program Director in Sacramento for New America Foundation. He is a former editor of *California Journal*. He can be reached at lesher@newamerica.net

It may seem incredible, but supposedly blue-state California is hemorrhaging Democrats.

Since 1990, when a majority of voters were registered Democrats, the party's share of the electorate has dropped to just 43 percent today. In fact, even as the state has grown, the number of Democratic voters has shrunk. There are about 100,000 fewer Democrats today than there were nearly 10 years ago, even though there are nearly 2 million more voters.

That doesn't sound like the state that voted 13 points to the left of the nation in last year's presidential contest, so predictably that California was declared for John Kerry the moment polls closed. But as poorly as Democrats are faring in California, Republicans are doing even worse. When pollsters ask California voters to identify their party loyalties, those who describe themselves as independents far outnumber Republicans.

So what does this mean? A profound change is certainly under way in California's electorate for two reasons. One is that the major parties are rapidly disintegrating because they cling to an outdated ideology that no longer represents a majority of voters. In the last decade, a whopping 91 percent of the growth in the electorate has come from voters registering

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"There is a risk-taking side to Californians that is unique. Americans are all that way compared to Europeans, but California is that way [compared] to America."

— Republican consultant Sal Russo

outside of the two major parties. The second reason is the growing participation of Latino voters. The increase helped tip the state to Democrats in the last decade, but that may be a temporary response to the Republican Party's sponsorship of Proposition 187, the watershed ballot measure in 1994 to deny public benefits for illegal immigrants. Today, Latino adults are more likely than whites to register outside of the two major parties and in polls, the profile of Latino voters is fairly balanced. Roughly equal thirds describe themselves as conservative, middle-of-the-road or liberal.

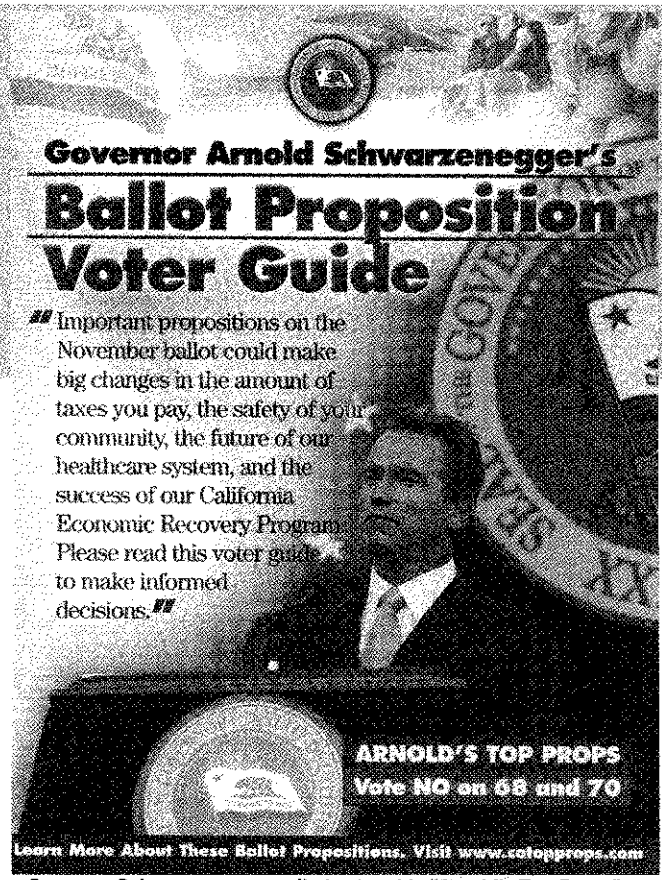
One thing that has never changed in California is that it remains a maverick state identified with the courageous spirit of its newcomers. It was founded in 1850 by dream chasers who left their homes for the chance of a fortune in gold. A century later, it doubled in size as the nation's archetype of the modern, middle class suburb. And today, it's still being shaped by the vision of immigrants bold enough to settle a strange new place in hopes of a better life.

California is different from the rest of the nation. Not only is it populated by pioneers, but other places are dominated by those who stayed behind. The contrast is difficult to measure, but it's unmistakable in the state's unique political expression. This is the home of frontier independents. They are more entrepreneurial in their outlooks, more anti-establishment, more libertarian and more indulgent of individual lifestyle. They ended affirmative action and passed medical marijuana on the same 1996 ballot. And last year, even as they went left for Kerry, they sided with the state Chamber of Commerce on all three of its ballot priorities.

"There is a risk-taking side to Californians that is unique," said Republican consultant Sal Russo. "Americans are all that way [compared] to Europeans, but California is that way compared to America."

In many ways, it is the single trait that binds a disparate state. By 2000, a quarter of Californians were foreign born and there were sizable communities from more than 60 countries, arguably making it the most diverse population in the world. California has four of the largest 15 cities in America, each much different than the other. Its regional economies are also so distinct they often move in opposite directions simultaneously.

When asked 25 years ago to describe the state's common ground, *California* magazine editor William Broyles Jr. explained, "Most cultures are united by their pasts. Californians have in common a belief in the future, a sense that anything is possible."


Governor Arnold Schwarzenegger's
Ballot Proposition
Voter Guide
"Important propositions on the November ballot could make big changes in the amount of taxes you pay, the safety of your community, the future of our healthcare system, and the success of our California Economic Recovery Program. Please read this voter guide to make informed decisions."
ARNOLD'S TOP PROPS
Vote NO on 68 and 70
Learn More About These Ballot Propositions. Visit www.catopprops.com

Governor Schwarzenegger mailed voters his "Arnold's Top Props" ballot endorsements for the November election. Of the 14 ballot measures he endorsed, 12 passed.

Two recent decisions by California voters demonstrate that the state's iconoclast nature is as strong as ever. The first is the unprecedented recall in 2003 of an incumbent governor and the election of a political neophyte who ran on an anti-establishment platform. The second is the vote in November 2004 to generously invest in the amazing, but unproven, potential of stem cell research to improve the quality of life and grow the state's economy.

Paul Maslin, whose firm did polling for the initiative, believes the stem cell issue would have polarized most states between the pro-life right and pro-choice left. But in California, the ideological debate never surfaced. The stem cell measure won on its optimism. And it was backed by virtually every demographic group, as well as parts of the state where President George Bush fared well.

"I can't imagine another initiative this big," Maslin said. "There was a way this could be close. But for all of the problems this state has gone through, Californians are still willing to step out there and say, 'We can make a difference.' That's kind of what the California spirit has always been."

The state of the state

Looking at the challenges ahead, the State of the State

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in California today is still deeply troubled.

• In health care, 20 percent of the population is uninsured, a sharply higher rate than elsewhere in the nation. Per capita spending on health is 10 percent higher in California than elsewhere and far fewer doctors treat Medicaid patients because the state has one of the nation's lowest reimbursement rate.

• In education, test scores are getting better, but California students still trail the nation and state spending per pupil is well below the national average. About one in four California students is challenged by limited English proficiency, about triple the national rate. In higher education, budget problems forced universities and colleges this year to turn away 11,000 eligible students, the first-ever violation of the state's 1960 Master Plan for Education.

• On fiscal issues, California is recovering from decisions during the last decade that doubled the size of the general fund budget and left the state in deficit when the dot-com bubble collapsed. Lawmakers now face a fifth consecutive year with a multi-billion-dollar shortfall and forecasts of larger deficits to come.

• Infrastructure spending, particularly for transportation and water, is lagging the investment needed to accommodate 10 million more people in the next 20 years.

• The energy crisis is not over. After four years, the state remains threatened by blackouts and price spikes because political gridlock has blocked a solution.

But while the policy challenges are significant, the greatest threat to California is the disconnection between its innovative electorate and its outdated political leadership. The Legislature makes closed-door policy decisions based on powerful special interests. Its long-term vision is two years. Its top-down authority is a throwback to a long gone generation and an anachronism in a state that is prepared to lead on a bold new path.

Voters have rejected the stale dichotomy of Democratic left vs. Republican right. In a poll last September by the Public Policy Institute of California, nearly half of adults said Republicans and Democrats "do such a poor job that a third major party is needed." They clearly hope that Governor Arnold Schwarzenegger, despite his Republican affiliation, will offer that third way.

He's proven enormously powerful at the ballot box. Last spring, Schwarzenegger persuaded reluctant voters to adopt a $15 billion deficit reduction bond. And in November, he won nearly all of the ballot initiative fights that he engaged in, siding with voters in many and clearly reversing public opinion in some.

But voters pull back when he plays traditional politics. His poll ratings dropped immediately — particularly among Democrats and independents — when he gave a partisan-stoked speech at the Republican National Convention last summer. And in the fall, when he campaigned heavily for Republican candidates, he was tuned out. Not one seat in the Legislature or the state's congressional delegation was changed.

Schwarzenegger's strength is that Californians want a reformer, not a politician. And his soaring popularity suggests that voters across the political spectrum still think of him as one of *us*, not one of them.

That makes this year one of the most important opportunities in a generation for California. In 2004, Schwarzenegger conducted triage to stabilize a budget crisis. This year, he will propose major reform in two areas: the budget deficit and the makeup of government. Next year is the election for governor.

Choosing reform

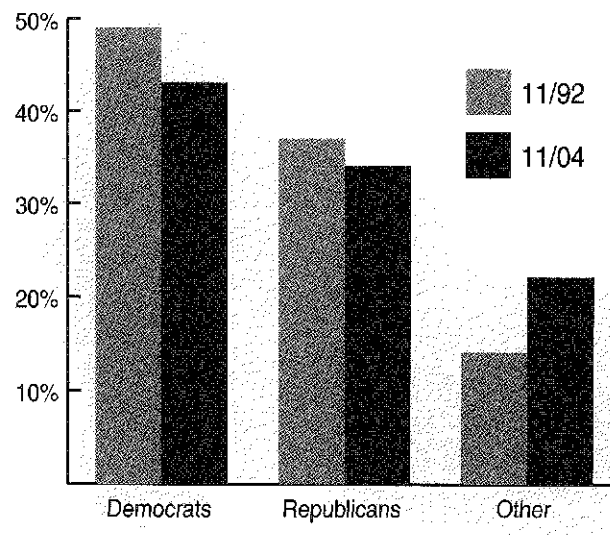
The challenge for Schwarzenegger is daunting. Solving the budget crisis will require compromise with a Democrat-dominated Legislature. Reforming the government means attacking a dysfunctional Legislature. Schwarzenegger may be forced to choose between his two reform agendas or risk losing both. If so, California would be much better served if he delivered a government that better reflects its brave and willing population.

Today, Democrats are far over-represented in the Legislature. The party controls a 61 percent majority in both houses even though it represents just 43 percent of registered voters. Meanwhile, there isn't a single, independent legislator to represent that fastest-growing portion of the electorate.

In addition to lacking the state's political diversity, the Legislature is more ideologically polarized than the population. Sixty percent of California voters identify themselves within the vast center of the political spectrum, which includes self-described weak Republican or Democratic voters as well as centrist independents. But policy debate in Sacramento comes from hard-core partisans. It's an antiquated battle between left and right; labor and business; taxes and subsidies; market and regulation.

CA VOTERS GROWING INDEPENDENT

Since 1992, the percentage of voters registered Democrat and Republican has been slipping, while those registered as decline-to-state or with other parties have steadily increased.



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But while the policy challenges are significant, the greatest threat to California is the disconnection between its innovative electorate and its outdated political leadership.

The state's health care crisis is caught in that trap. Governor Gray Davis signed a labor-backed plan just before he was recalled. Business won a repeal of that bill last November. Now, the state is back to square one, but still frozen by special interests with the power to kill an idea but not to pass one.

This is why Schwarzenegger should reform government even if it means delaying policy solutions. There are creative ideas for solving health care and other issues that would be seriously considered by a Legislature that was more reflective of the state's population. One promising health reform, for example, would create a consumer-based insurance system that offers individual choice and mobility for life. It's an idea that makes sense in an era where companies face global competition and workers' average job tenure is just five years. But labor wants a business-based health system, and business has been silent about new ideas.

A dysfunctional Legislature

After years of failure, there is no longer any debate that intractable problems like health care are blocked by a dysfunctional state government. Voters have tried to fix the problem with initiatives that limit the terms of lawmakers or restrict their budget authority. When Schwarzenegger campaigned in 2003 with the defiant theme song "We're not gonna take it any more," he got the job. And today, the view of a tainted Legislature is bipartisan.

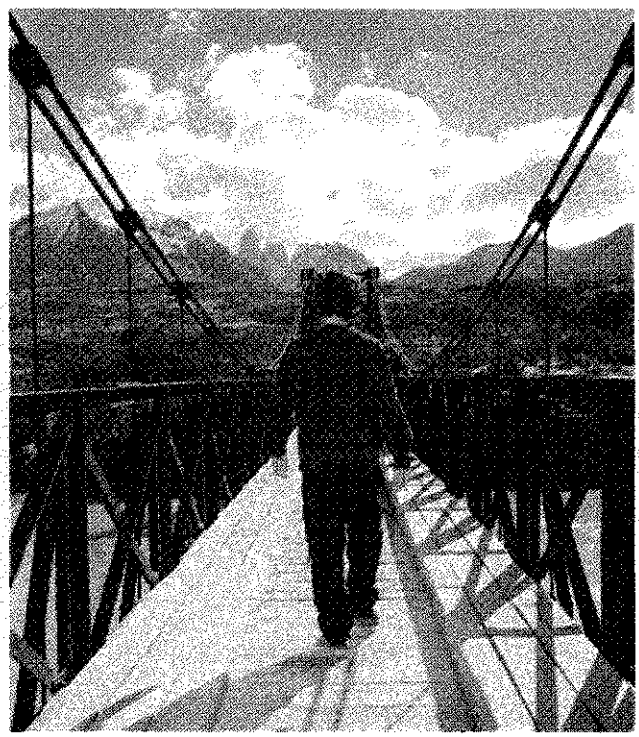
Democrat Leon Panetta recently spotlighted the Legislature when he met Schwarzenegger in a nationally-broadcast CSPAN interview. "Is Sacramento bought and sold by special interests, number one? Number two, how do you control that?" Panetta asked.

Schwarzenegger's answer — applauded by the college audience — called it "the biggest problem that I have seen. ... There are very few legislators that are ... not controlled by special interests, and I'm talking about the left and the right. This is why the people have elected me and sent me to Sacramento."

It would take an epic fight for Schwarzenegger to change the culture of Sacramento. The interests that benefit from the status quo would go all out against change. And the specter of a Republican governor seeking to diminish or dislodge a Democratic Legislature and redraw congressional district lines could quickly spin into an ugly national showdown between the two major parties.

But if it doesn't happen this year, it may be a while. To challenge the status quo takes leadership that is not beholden to special interests or future campaign considerations. Voters still credit Schwarzenegger with that independence, even though it's dimmed by heavy fundraising and presidential speculation. It's also not certain that Schwarzenegger will run for a second term and — even if he did — whether he would retain the authority of a populist and angry outsider.

This year, Schwarzenegger must govern as an independent, willing to take the same political risks that voters did when they chose him. He wasn't elected because he's an expert on policy issues. He was elected because voters want a government that looks and acts more like them, bullish on the future and frustrated by shortsightedness. California will solve its budget deficit. It has the world's fifth-largest economy and a promising future, poised for growth in a high tech and globalized world. It deserves a government that shares the vigor and vision of its population.



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SLICE 'N DICE:

Smaller legislative districts will yield more lawmakers, more accountability and better decision making.

By Heather Barbour

Heather Barbour, a New America Foundation Irvine fellow and professor of political science at Sacramento City College, served as principal consultant to the Legislature's Joint Committee on Preparing California for the 21st Century. She can be reached at barbour@newamerica.net.

Last November, many California voters went to the polls and chose a state senator for themselves and nearly 900,000 of their closest neighbors. In practical terms, this meant working-class Californians living in small, rural, mountainous towns near the Oregon border are represented by the same person advocating on behalf of voters living in wealthy Sacramento suburbs. Can this one legislator truly be accountable to the needs and interests of hundreds of thousands of people living in such disparate circumstances?

Of course not. California's legislative districts are too big and their unwieldy proportions seriously obscure the real diversity in California's lifestyles and politics.

When America's founders devised our republic, they envisioned districts that each contained around 30,000 people. There was no magic to this number. Even the architect of the U.S. Constitution, James Madison, recognized the hopelessness of imposing science on such schemes. He recommended only that legislative districts should be neither too big nor too small. He also assumed they would be "augmented from time to time."

California, however, has not augmented the number of representatives in its Legislature since 1879, when its

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total population was about 1 million. Now, a single state Senate district contains nearly this number.

California has the largest legislative districts in America. The state's 80 Assembly districts each average a whopping 423,000 people. And there are twice as many constituents in each of the state's 40 Senate districts. By comparison, lower house districts in other states range from 3,000 people in New Hampshire to 139,012 people in Texas.

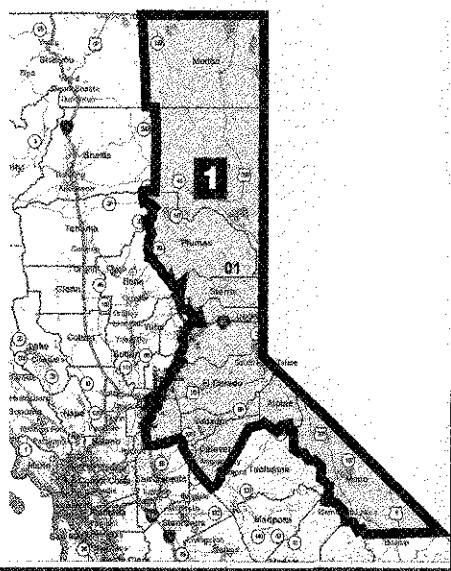
California's upper house districts, by population size, are nearly seven times the national average. If California's Senate districts matched just the large-state average, its Senate would have 94 members instead of 40.

Further, while no state compares to California in population size, the populations of Texas and Florida combined are a rough equivalent. The Legislatures in those states contain 341 members; nearly triple the 120 serving in California. Citizens in Illinois, Pennsylvania and Ohio — again, a combined population approximately equal to California — are represented by 562 state legislators. In fact, if you tally up the 21 smallest states, the number of residents is roughly equal to California's population. Residents of those states, however, are represented by a combined total of more than 3,000 state legislators.

California's super-sized districts are not just harmless mathematical curiosities; they contribute to political alienation, a fatal condition for representative government. Voter turnout has been on the decline for the past 40 years, and polls show three-quarters of Californians think the state Legislature is doing a fair or poor job when it comes to working for the "best interests of people like you." The gap between representative and represented is dangerously wide in California, which limits the authority and vision of officeholders and causes voters to turn to ballot box policymaking or disengage all together.

The idea of curing California's political ills by decreasing the size of legislative districts inevitably elicits howls from political insiders. They know smaller districts mean more legislators in Sacramento. The objection is obvious: How will *more* politicians solve our problems?

But Madison anticipated the need for such adjustments more than 200 years ago. The performance of the California Legislature today affirms his predictions. "Too big" legislatures, he noted, will succumb to confusion and the "intemperance of a multitude." With a "too small" Legislature, Madison warned of a lack of diversity in policy discussions and the ease of "combination for improper purposes."



CA SENATE DISTRICT

This sprawling state district has more residents— 850,000 — than the populations of six individual U.S. states.

California's Legislature clearly exhibits the symptoms of a governing body that is too small, both in its lack of diversity in policy discussions and the so-called ease of combination for improper purposes. In other words, purposes that put special interests over the public's interest.

Only two voices count in the California Legislature: Republican and Democrat. This is outrageously narrow representation in a state where nearly 21 percent of the population declines party affiliation. Further, there's little diversity of opinion even within party ranks. In 2003, 21 of 25 Senate Democrats voted with labor unions over 90 percent of the time. All 15 Senate Republicans, on the other hand, unanimously backed 100 percent of the legislative positions of the California Taxpayers' Association, an anti-tax group, in 2004. How's that for diversity?

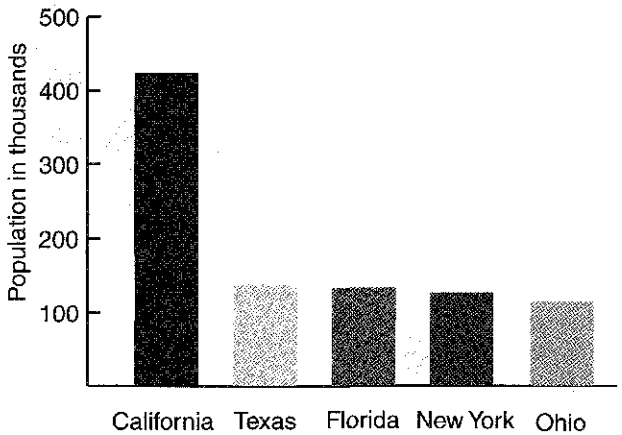
As for the "ease of combination for improper purposes," examples of this kind of malady are common in Sacramento. One example is the disastrous vote in 1996 to deregulate the state's energy market. Key stakeholder groups and a small group of legislators quietly crafted the bill, then passed it through the Legislature without a single "no" vote. The subsequent energy crisis jeopardized the state's business climate, bankrupted its public utilities, sent electricity bills soaring and, eight years later, is still unresolved. If the Legislature contained a greater quantity and diversity of voices, it is logical to assume the chances of heading off this foreseeable crisis would be greatly improved.

As it is California's Legislature is clearly not working as it is currently structured; so, what size should the Legislature and its districts become?

California is far too big to accommodate districts approaching the national average. Even matching Texas,

HOW CALIFORNIA COMPARES

Among the five states with the largest lower house districts, California's Assembly districts are more than triple the size of those other state's.



Source: Nat'l. Conference of State Legislatures

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California's super-sized districts are not just harmless mathematical curiosities; they contribute to political alienation, a fatal condition for representative government.

with the nation's second largest districts, would more than triple the size of the California Assembly to about 252 seats.

Some have suggested merging the Legislature's two chambers into one body of 120 districts in a unicameral arrangement. This option has the benefit of decreasing the size of districts without changing the size of the Legislature. Bills would also pass more efficiently because they would only go through one chamber and one set of committees.

Unicameralism, however, was rejected by the state Constitution Revision Commission about a decade ago for reasons no less relevant now. Bicameralism is critical to maintaining checks and balances.

The best design for the California Legislature would be to retain the bicameral structure while reasserting the original conception of the two chambers. Let the Senate be the smaller, deliberative body, and the Assembly be the larger house, where the passions and will of the people are expressed. This means Assembly districts should be as small as possible and Assembly seats most susceptible to challenge and competition. Senators, on the other hand, must be able to withstand unpopular votes, which means they need larger districts and longer terms. These conditions can be met by expanding the ratio of senators to Assembly members from the current 1-to-2 distribution to a 1-to-3 relationship.

Under this model, for example, the Assembly might have 150 members representing 233,000 persons each, while the Senate would have 50 members, representing 700,000 persons each. These dimensions are consistent with the recommendations of a 1970s study of state legislatures by the non-partisan Citizens Conference on State Legislatures.

So, what do citizens get from this design? A lot. For starters, citizens will have better access to legislators who are more interested in their concerns. A lawmaker representing urban, suburban and rural communities is forced to consider a myriad of often conflicting needs for schools, health care, public safety and other services. Many interests are left out without ever being heard in the Legislature. A lawmaker focused on a more concentrated population can be a better advocate.

Smaller districts will also improve the representation of moderate and third party voters. Independent candidates have a greater chance of winning a smaller district, and independent voters are more likely to be heard in a district where they make up a greater share of the electorate.

More citizens will be able to take part in government, too — both because there will be more seats available and because campaign costs will be more manageable. Campaign costs in California's Senate districts currently hover around $600,000. By comparison, the average campaign in a Massachusetts' state Senate district — containing around 160,000 people — costs about $120,000.

Inside the Capitol, smaller districts would also cause dramatic change. Lobbyists and special interests would lose power since they would be forced to persuade more lawmakers with closer ties to their voters. Leadership power, diminished by the restrictions of term limits, may also grow as the voice of each individual lawmaker assumes a smaller share of the total body.

With more eyes watching and questioning government decisions, Californians could also expect better oversight and higher quality legislation. As president Woodrow Wilson noted "... it is not far from the truth to say that Congress in session is Congress on public exhibition, whilst Congress in committee rooms is Congress at work." The same can be said of the state Legislature. The real work occurs in committees where legislators develop bills, study issues and make law.

Yet, committees produce good policy only when legislators have the time to become experts in the issues or there are many hands to manage the workload. Prior to term limits, committee members had years to gain expertise. Since term limits, however, studies have shown a drop in work quality. Most legislators now have a broad, but usually shallow, understanding of policy. A larger Legislature will mean more people to do the people's business, mitigating one negative impact of term limits.

In recent decades, Californians have adopted increasingly stringent political reforms in an effort to curtail corruption and increase accountability in government. But even after dramatic changes, such as term limits and budget mandates for taxes and schools, polls indicate that confidence in California government continues a dangerous decline.

With frustration growing, voters may be ready to consider even more aggressive change.

A recent opinion poll found most voters don't think smaller districts will make a difference, but 40 percent believe they would be "better represented."

Ultimately, Californians cannot manage the direct democracy our state is fast becoming. Californians must restore their trust in government and turn over the vast majority of policy decisions to elected representatives.

It is time to think creatively and boldly about new designs for a government that will reflect the new generation of California's diversity of ideas. The changes must make our representatives more accountable to voters and reflective of their ideas. That is only possible when the governed are closer to their government.

Send comments to **comments@californiajournal.org**

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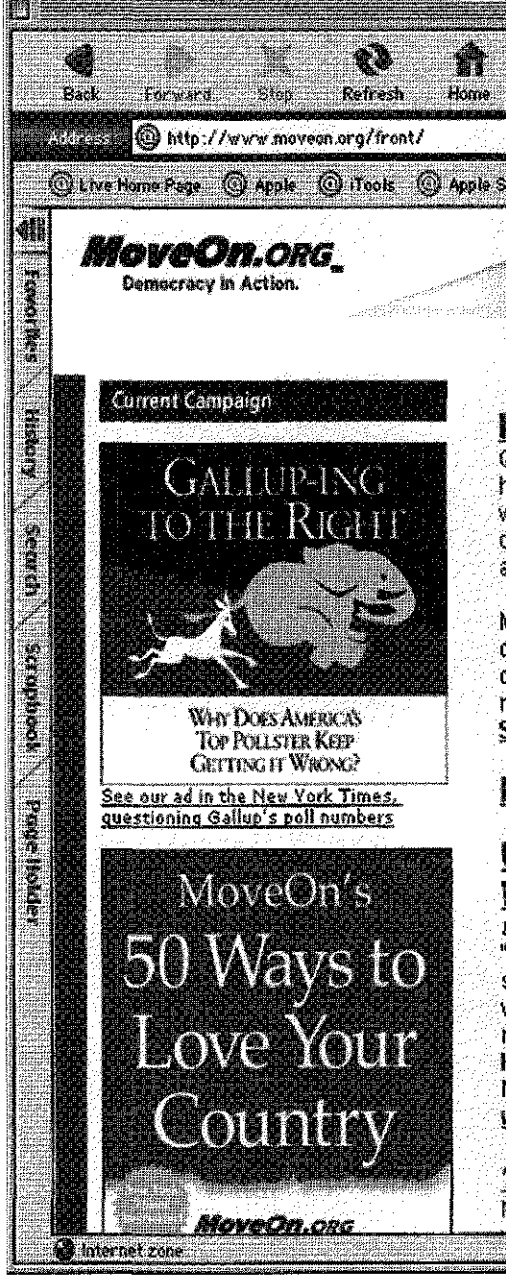
DEAR {Insert Name}: VOTE FOR ME!

Mining the frontier between politics and technology

By Farai Chideya

Farai Chideya, a New America Foundation fellow, is a print, broadcast and online journalist. She is founder of pepandpolitics.com, a Web site aimed at young Americans. She can be reached at chideya@newamerica.net.



When talking about the evolution of politics and technology, it helps to give a little history. Okay, a lot of history. The human body is, in most senses, the same as it was 50,000 years ago (oh, those cravings for carbs!), and the workings of the human brain haven't evolved significantly in 5,000 years. That's when we learned to better process language, and societies flourished. Seventy-five years ago, television was invented — the first form of virtual reality. Now the average American watches over four hours of television a day, spending much of that time completely ignoring the fact that he or she is sitting in front of a *box*. Fifteen years ago, geeks started widely using the Internet. Five years ago, even tech-haters did. In 2004, the convergence of technology and politics rose and shone, like a prima ballerina taking her first star turn. By the 2008 election, that technology will have disappeared.

No, this is not some post-apocalyptic fantasy. It's simply a statement that, in 2004, people still thought of technology as a thing-in-itself. By the year 2008, tech tools will be transparent, integrated into our lives. Just as we embraced television (perhaps a bit too closely), we will give new information delivery systems a central place in our lives. Campaigns and officeholders will be able to speak as directly to constituents, via the media, as if they were standing live in front of them. And citizens, in California and America at large, will be better able to speak back.

In no small part due to the way we've evolved (or failed to), humans tend to think of information technology as an extension of the human consciousness. Stanford University communications professor Clifford Nass has done extensive research into the way humans perceive computers as human actors. In one experiment, test subjects first took a quiz on a computer. Then, they were asked to go back to a computer — that one, or a nearby one — and say how well the initial computer had administered the quiz. People who went back to the same computer gave higher grades than those who went to another computer. The test subjects were using flattery or exercising tact — in their dealings with a mass of chips, plastic and wires! Most of us have emotional reactions to both the delivery and content of new media, from

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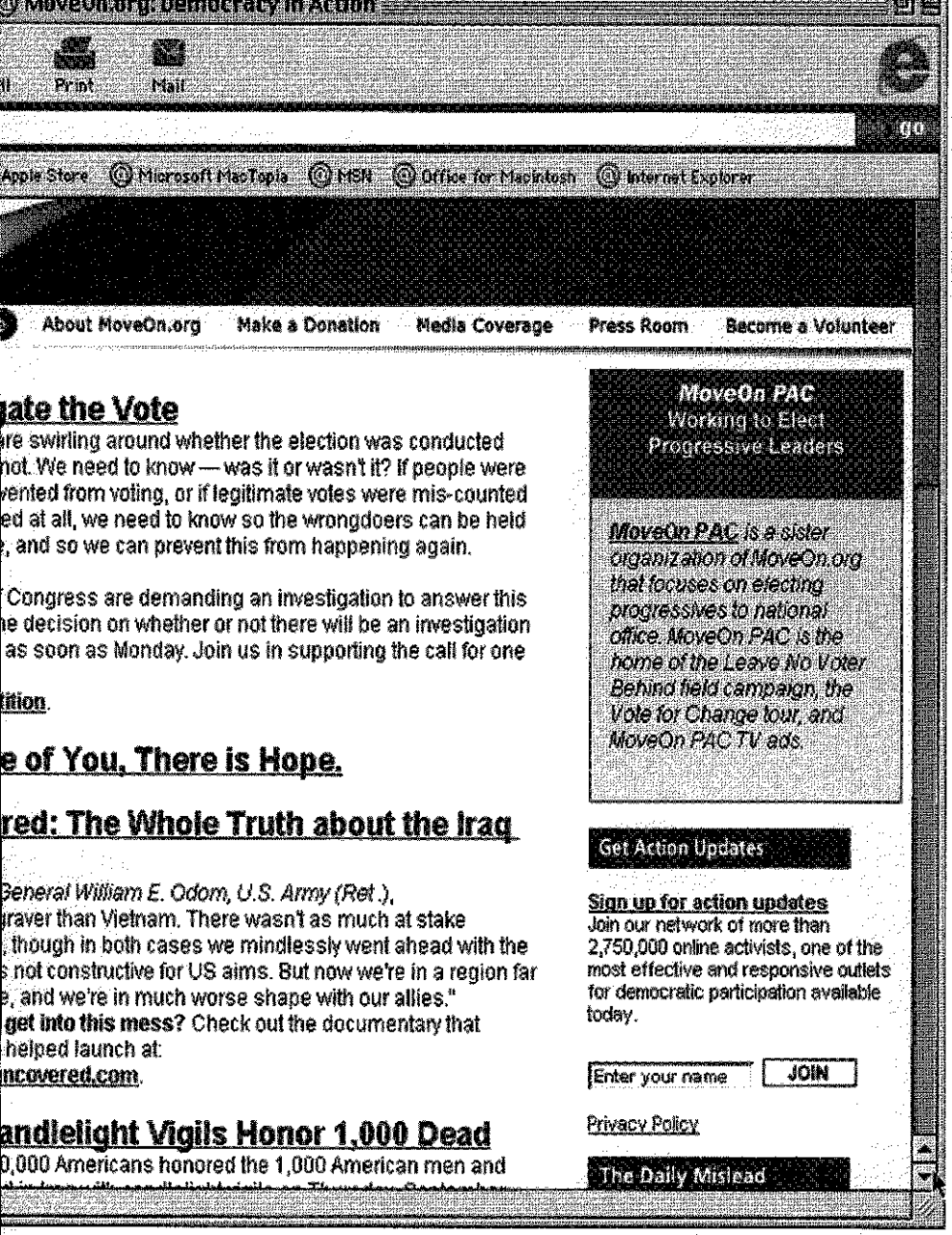
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Home page of MoveOn.org Web site

the frustration when big files can't seem to squeeze through the pipeline to a craving — sometimes addictive — to get more email and thus more "human" contact.

As online technology moves from wired desktop computers to wi-fi enabled laptops and handheld PDAs, the technology becomes more portable and less intrusive. Information and its emotional subtext are more likely to hit their mark.

I remember getting my first laptop in the early '90s, with an external modem the size of a paperback book. Today, 10-year-olds can text-message their friends on a cell phone faster than they can type. As technology becomes less invasive, we become more like cyborgs — unable to conceive life without technology.

Omar Wasow, a technology commentator for National Public Radio and president of BlackPlanet.com, noted that emails often follow the patterns of spoken rather than written speech. We are literally "talking" through devices, becoming less formal and more vernacular in the online versions of written speech. That's one reason why message boards, the town squares of the Internet, are so "sticky." On an action-packed forum like politics.Slashdot.com or the Free Republic, you don't so much read as hear people shouting.

Which brings us to the 2004 election, the most contentious in a generation. The visceral emotions everyday Americans brought to the political process increased their willingness to use information technology as a tool. The easier the technology interface, the higher the likelihood that Americans will be able to talk back clearly and consistently. We now rely on tools that once baffled us and have given up communicating in once-familiar ways. Sadly, for most of us, the days of the handwritten letter (to a politician or to Mom) are long gone.

Groups such as the California-based MoveOn rallied supporters and directed them to computer and online tools that allowed them to utilize media, gather people together, and raise funds. In many cases, the technology and its purveyors were birthed from the California technology corridor, which leads in both cutting-edge development and in marketing mature technologies to wide audiences. For example, amateur filmmakers used simple video editing programs like Apple's iMovie to make anti-Bush commercials for MoveOn.org. MoveOn also found an unexpected fundraising tool in eBay's online auctions.

The tech of election 2004 — national, statewide and local — shone in four major areas: subscriber databasing and outreach, online fundraising, localization and new media (blogs and streaming video). But by and large, politicians were better at messaging *out* than citizens were at messaging in. One critical trend to watch as we head for the 2006 election and beyond is how much power citizens gain in framing campaign issues and pushing policy once the election is over. The more power citizens feel they have, the more invested they will be in voting. California, though a huge and powerful state — nearly a nation in and of itself — has been experiencing declines in voter participation in statewide races. The 2002 gubernatorial race marked a historic low for voter turnout. If those numbers are going to turn around, it won't be simply because some new technology emerges. Instead, citizens will need to feel informed and empowered. A knowledge of how to use technology can help with those goals.

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We need to feel part of a community, even if that community is largely virtual. Online political marketing will be successful only if and when it makes us feel needed.

— Electronic Frontier Foundation Director Ren Bucholz

First, a look at how politicians reach citizens: databasing. In 2004, the national parties used data-mining to drive voter registration and mobilization, deploy election monitors, and, of course, for fundraising.

In an interview with *Newsweek*, Bush advisor Karl Rove said, "Give me a date." He then instantly pulled up numbers on how many Ohio voters the GOP had registered on September 30, a number three times their goal. California's political parties are trying to catch up with their national counterparts. Bob Mulholland, campaign director for the California Democratic Party, says, "We still don't have the technology to instantly contact seven million Democrats [in our state database]. My guess is of the seven million, we have a couple hundred thousand emails."

One key to gathering more email subscribers is reaching Democrats when they plug into key races, like U.S. Senator Dianne Feinstein's 2006 re-election bid. Controversy helps, too, such as the debate over abortion and judicial appointments.

"If *Roe v. Wade* becomes a big issue," says Mulholland, "we'll be able to collect that data and try to stop the nomination. We have to be awake and not miss it."

The pro and con of databasing as an outreach tool is whether campaigns and parties use it wisely. If personalized pitches for involvement or funds come with hostile or xenophobic calls to action, they will undermine our pluralistic democracy. If, instead, these messages bring a higher call to action, even one-way communication from those in power will help revitalize democracy.

The parties and presidential campaigns also used their databases to drive fundraising, as did outside groups such as the new 527s.

Elaine Chen, a New York-based technology expert, calls online fundraising "the most influential use of technology during the campaign." She points out that online fundraising will not motivate people to support candidates or groups they're not interested in, but it does provide a critical way to aggregate small donations and sell merchandise online. One problem: potential donors' worries about authentication and identity theft. For the moment, bigger groups have had the most success with online fundraising, but in 2006 and beyond it will become a widespread means of sustaining local grassroots organizations, particularly those who can make targeted, time-sensitive appeals to their members.

Online Connections

One of the next frontiers is using databases generated by national groups to connect citizens to statewide politics. The Ella Baker Center for Human Rights, an Oakland-based organization that advocates for reform of the California juvenile justice system, is soliciting database resources from groups like MoveOn. The Center will urge MoveOn members to contact their state representatives — through an easy zip-code-based search — and ask them to pressure the governor to investigate deaths of incarcerated minors.

Van Jones, the head of the Ella Baker Center, doesn't know if this approach will work. But he believes in being entrepreneurial, acting fast and seeing what works. "Because there isn't a lot of online-enabled advocacy directed towards the state Legislature, even tens of thousands of people would have a huge impact," Jones says. If his experiment works, it won't be long before many more groups follow.

Bill Whalen, a fellow at Stanford's Hoover Institute, believes that citizens will find it harder to talk back to government than simply hitting a few keystrokes. Whalen helped advise Arnold Schwarzenegger when he began exploring the idea of running for governor. He also worked at a software company four years ago developing the idea of adapting "FAQs" — the list of Frequently Asked Questions on tech Web sites — to politics. "A citizen could ask a question of a candidate over the Internet, and it would trigger an answer through a keyword in the FAQ," says Whalen. But the problem is that "politicians tend to enjoy a one-sided discussion. Look at how politicians dread the town-hall format. Look at how parents say `let's have a conversation,' but really they're laying down the law." He hopes that California politicians' Web sites will offer citizens more direct contact, perhaps though Web-chats, but acknowledges they could not reach everyone and that doing a bit here and a bit there could seem "hokey."

Citizens begin to gain stronger ground in the dialogue with politicians when they can cluster in local groups. The Howard Dean campaign, MoveOn.org, and the League of Pissed Off Voters all used Web properties to connect like-minded people in key regions. GeorgeWBush.com, the official 2004 campaign site, has easy pull-down menus so users can find groups by coalition — including "African-American," "Sportsmen" and "Conservative Values" — or by location, or both. People still crave the human touch, but Mulholland of the California Democratic Party, argues the opposite: With younger people, that face-to-face [contact] is computer screen to computer screen."

And then there are weblogs, or

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"blogs." Google, the California-based search engine, Web log allowed the "bloggiverse" to flourish both by acquiring and supporting the most popular Web log tool, Blogger. The technology fundamentally revolutionizes the consumer-to-information relationship, giving anyone who can complete the 60-second process of creating a free Blogger account the chance to be a publisher.

Says Ren Bucholz, community director for the San Francisco-based tech watchdog Electronic Frontier Foundation (EFF), "It's a disruptive technology, and I think that's good. It breaks the hermetic seal in the political world of image management." Today, the typical blogger works solo. By 2008, people producing online content will have joined into loose or formal affiliations becoming, in effect, more like traditional media outlets with multiple reporters. The low cost of producing online content will allow for micro-targeting, so that one blog ring (or group of bloggers) might cater to college women concerned about abortion rights, while another might target 50-something rural gun owners. The key here is drilling down on issue-specificity, just as localization allows people to search by zip code and find groups of like-minded people.

The frontier for 2008 and beyond is streaming video. The extent to which ordinary citizens can produce video montages and commentaries in the privacy of their own homes, then distribute them across the Internet, will radically alter politics. Says Bucholz, "the real currency in our culture is the moving image. ... Taking stuff from the air, being able to comment on it, and disgorge it back — that's not possible yet." Depending on federal regulation, it may never be possible. Currently the EFF is challenging the Federal Communications Commission's "broadcast flag mandate." The regulation would take effect in 2005 and essentially prevent companies from producing digital video recorders, like TiVo, that allow consumers to transfer files to their computer (and give them the chance to alter and re-broadcast content via the net). Bucholz , who says he is "hopeful" the EFF will win its suit, adds, "California is this great incubator for all of these ideas."

Any database is, in the end, only as powerful as our willingness to be marketed to, which brings us back to human evolutionary psychology. We need to feel part of a community, even if that community is largely virtual. Online political marketing will be successful only if and when it makes us feel needed. Says Bucholz, "The one overriding lesson that has come out of this huge upsurge is the exponential difference between a letter that says `Dear supporter' and one that says `Dear Farai.'"

Personal appeals that speak to tastes — for example mentioning a product on eBay — "operate on a level that's subconscious," he says. "I wouldn't be surprised if, the next election, you're getting contacted by groups [in ways] that sound as familiar in the social sense as messages from friends."

So, perhaps in early 2008, I'll receive something like this:

Dear {Farai}:

Congratulations on {recently purchasing a hybrid automobile}. You know that the {environment} is one of the top priorities of my campaign. I'm going to be in your neck of the woods at {time of day/date} at {nearest campaign whistlestop location}. We're also lucky to have a performance by {name of popular musician supporting the candidate}. As a special note of thanks, enjoy this free download of {musician's} latest song.

Please tell your friends and family about our leadership on {cleaning up urban landfills}, and give them the chance to join our movement for change.{link to: refer a friend to e-list} We can't do this without your support.{donation URL}

See you on the {day of appearance}.

Regards,
{Candidate name}

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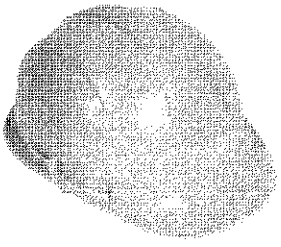

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Democracy at a Cross

Why California needs to abandon "winner-take-all" elections

By Steven Hill

Steven Hill is an Irvine Senior Fellow at the New America Foundation and author of "Fixing Elections: The Failure of America's Winner-Take All Politics." He can be reached at hill@newamerica.net.

California's political institutions and practices are outdated and no longer reflect the vibrancy and diversity of our state in the 21st century. Key political institutions are badly in need of an overhaul to make them better suited for the new California and its wide range of attitudes, demographics and geographic regions.

In particular, three ailing aspects of our representative democracy stick out. First, the most recent redistricting was nothing more than an "incumbent protection plan" in which party leaders all but did away with legislative elections in California, leaving voters from all partisan sides with choice-less elections. Second, California's antiquated, winner-take-all electoral system is increasingly hard-pressed to provide representation to California's diversity, and has exacerbated regional balkanization — a stateside version of red vs. blue — and is electing fewer bridge-building moderate legislators. Third, winner-take-all elections for statewide offices, combined with California's primary system discourage, moderate and independent candidates and elect leaders who win with support from less than half of the electorate.

Fortunately, there are solutions to all of these democratic deficits, if the political will exists to think and act boldly outside the box of conventional thinking.

The travesty of redistricting: incumbent protection plans

What if you could pay $20,000, and for that modest sum end up with lifetime employment at a salary of $158,000 annually, including the best health and retirement benefits, frequent travel to Washington, D.C., full staff and paid expenses — all on the public's dime? What a deal, eh?

That's the cozy situation for members of California's congressional delegation as a result of gerrymandering their own legislative district lines. The 2001 redistricting in California was a travesty. Democrats dominated the process, since they had a majority in the state Legislature and the governor's office. According to one member of Congress, Democratic incumbents paid $20,000 apiece to the political consultant drawing the district lines — who happened to be the brother of an incumbent — to draw "safe seats" where each of them would easily win re-election. It was like paying protection money to a Mafia don for your turf. Congresswoman Loretta Sanchez (D-Garden Grove), knowing a bargain, told an *Orange County Register* reporter, "Twenty thousand is nothing to keep your seat. I usually spend $2 million every election."

Then, to the dismay of national Democrats, who anticipated the line-drawing would

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San Franciscans line up to vote at a polling site in November 2004. Photo: Chris Hardy, Corbis

gain seats for California, state Democrats instead gave safe seats to GOP incumbents, in return for their acceptance. The fix was in. It was a bipartisan collusion against California democracy and the voters. And it worked. In the November 2004 election, 51 out of 53 congressional seats were won by huge landslide margins.

The Democrats also drew safe seats for state Senate and Assembly districts, which resulted in 90 percent of state legislative races won by landslide margins in November. The Democrats literally did away with most legislative elections in California, turning them into predictable farces. Moreover, the Democrats' line-rigging allowed them to bite off more than their fair share, winning a disproportionate 63 percent of state Senate seats and 60 percent of state Assembly seats with only 54 and 53 percent of the statewide vote respectively in each chamber (in 2002, the Democrats won a whopping 70 percent of state Senate seats with only 54 percent of the statewide vote). Forget about "money buying elections"; most elections are decided during the line-rigging process, when politicians use sophisticated computers to handpick their voters before voters pick them.

But that's not all. This backroom redistricting has produced a government where hard-core partisans dominate the Legislature and fewer moderates get elected. It has exacerbated a red vs. blue California marked by regional balkanization, where the high population coastal areas are dominated by Democrats and the low population interior is dominated by Republicans. Not that there aren't Democrats in red areas and Republicans in blue areas — as well as independents and third party supporters — it's just that they are "orphaned voters" who never win any representation. Purple California gets smothered in the zero-sum game of winner-take-all elections, which grants representation only to the winners.

Governor Arnold Schwarzenegger, the state Chamber of Commerce, Republican recall activist Ted Costa and others have proposed taking redistricting out of the hands of a partisan Legislature. This makes sense, but the devil is in the details. For instance, an initiative proposed by Costa would create an unwieldy process that requires any redistricting plan to receive voter approval. It also would immediately reopen redistricting instead of waiting until the end of this decade, as is customary. Both of these together would lead to bitter partisan battles that will disrupt any semblance of political peace for the remainder of the decade. In particular, a mid-decennial redistricting is a bad idea because it would break the fragile truce between Democrats and Republicans that for decades has accepted a once-per-decade redrawing of district lines. That truce was broken last year by GOP firebrand and congressional

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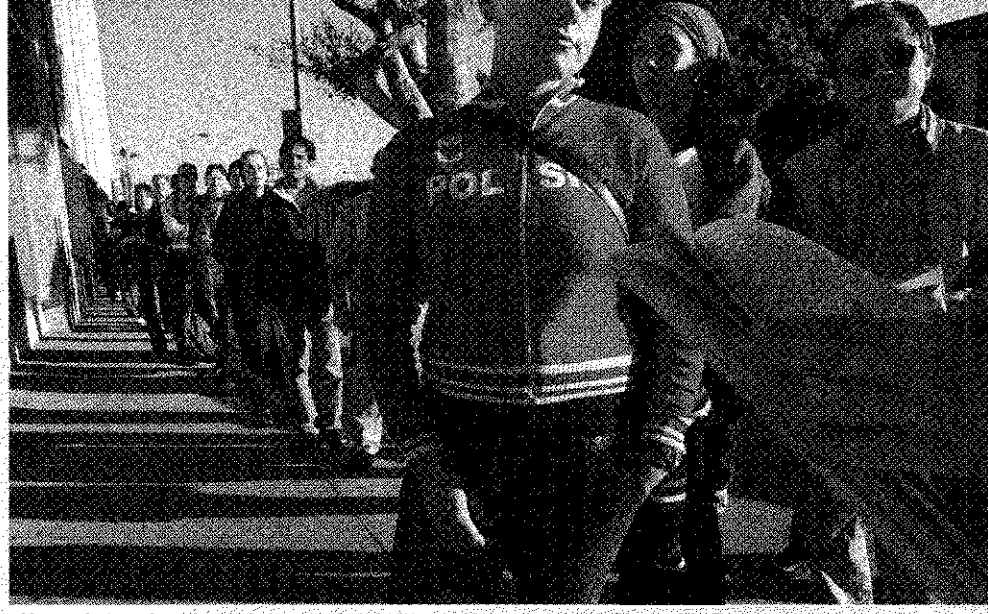
leader Tom DeLay who rammed through controversial mid-decennial Republican gerrymanders in Texas and Colorado. Attempting a re-redistricting in California with such clear partisan motivations would provoke bitter responses from Democrats, not only in California but probably in other states as well. It has not gone unnoticed that those pushing mid-decennial re-redistricting in California are mostly Republicans.

A true public interest redistricting should establish an independent nonpartisan commission with appointees from various sectors of California society, including minority representatives, business community and good government groups, rather than a panel of judges (as proposed by Costa) which, after the debacle of Bush vs. Gore, practically no one sees as being nonpartisan anymore. Better to have a balance of politics, and have it out in the open. Most importantly, the commission should be guided by nonpolitical and legal criteria such as compactness of districts, respecting geographic boundaries, protecting minority voting rights and enhancing competition. The initial districts then should be presented to the public via hearings around the state, with a goal of finalizing the lines after hearing public comment.

Winner-take-all losers

But even the best-intentioned "public interest redistricting" will have limited impact in addressing the many ills of redistricting. That's because the problem is not just who draws the legislative lines, it's our antiquated, single-seat district, winner-take-all system. The Democratic vote has become highly urbanized and concentrated; in a winner-take-all system, even the fairest redistricting will make only a handful of districts more competitive unless the legislative district lines are drawn as spokes radiating outward from the blue Democratic urban hub. But doing so would clash with the federal Voting Rights Act, which helps minorities as a "community of interest" to elect their chosen representatives. The fact is, winner-take-all elections pit everyone against each other



Voters in Los Angeles wait to cast their ballots in November 2004. Photo: Ric Francis, AP Wideworld Photos

— Democrats, Republicans, independents, different racial groups — all trying to win a limited commodity: representation. That's why it's called "winner-take-all" — because only one side wins.

So what can be done? Political scientist Arend Lijphart from the University of California, San Diego, says the best solution is to "evolve from winner-take-all elections toward some form of proportional representation." With proportional representation, multi-seat districts are used instead of single-seat districts, and blocs of like-minded voters win seats in proportion to their voting strength at the polls. You don't see disproportionate results where one party wins way more than its fair share of seats. For instance, in the state Senate, instead of electing 40 individual district seats we could elect 10 districts with four seats each, using a proportional method. If a political party's team of candidates won 25 percent of the vote in a four-seat district, one of its candidates would win one of these four seats, instead of nothing; 50 percent would win two seats, and 75 percent would win three seats. There are different kinds of proportional systems, candidate-based or party-based, but all adhere to those basic rules.

According to Professor Lijphart, using such a "moderately proportional system" for California would make all parts of the state competitive for both major parties, occasionally even a third party. A Republican candidate could win 25 percent in a blue coastal area, and a Democratic candidate could win that in a rural area, giving those orphaned voters some representation. And moderates and independents running campaigns outside of the party machines would be elected as well. Purple California would have a voice, and we wouldn't see disproportionate results, such as the current California Senate where Democrats have won more than their fair share of seats. The Illinois state Legislature has used such a moderately proportional system, and currently Cambridge, Massachusetts, Peoria, Illinois and Amarillo, Texas use it for local elections. Ireland and Australia use such a method for electing their national parliaments. Their experiences show it's a better way to foster competitive elections, elect more moderates, reduce regional balkanization and provide opportunities for minority representation.

Moreover, proportional voting systems using multi-seat districts don't require redistricting. They allow voters from all political persuasions and races to control and define their representation, not the map-makers. Particularly in cities, where four major racial groups compete for representation, the drawing of race-conscious district lines usually is contentious and can reinforce some of the worst aspects of race and segregation. Nonpartisan, candidate-based forms of proportional representation emerge as flexible and

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If Schwarzenegger and others really want to do something about the ills of redistricting, simply changing who draws the district lines won't accomplish much. It's necessary to get rid of California's antiquated winner-take-all system.

fairer methods to facilitate diverse representation and competitive elections for multiracial cities.

If Governor Schwarzenegger and others really want to do something about the ills of redistricting, simply changing who draws the district lines won't accomplish much. It's necessary to get rid of California's antiquated winner-take-all system, and adopt some version of the more modern proportional representation system. Incumbents may have invested $20,000 apiece to maintain the status quo, but it's time for a real change.

Ensuring majority rule

In the absence of a requirement that California candidates win with a majority of the vote, and with eight political parties running candidates for governor, the last two gubernatorial races — in 1998 and 2002 — were won by candidates with support from less than half the voters. They also produced two of the lowest turnouts for a gubernatorial race in California's history; even the gubernatorial recall resulted in the state's third lowest turnout despite all the celebrity and hype (initial anecdotes reporting a huge turnout actually were due to a decrease in polling places that created longer lines of voters).

Proposition 62, an initiative on the November 2004 ballot, sought to address some of the shortcomings of our elections by instituting a primary in which the top two candidates, regardless of party affiliation, would advance to the November election. It was a flawed approach that would have severely restricted voters' choices in November, and quite rightly was rejected by voters. But the open-style primary, allowing voters to choose from all candidates regardless of party, points the way toward another reform that will ensure majority winners, voters' choice, and cost-effective elections.

The solution is simple. Get rid of the taxpayer-funded political party primaries altogether, and hold one election in November in which the majority winner in a multi-candidate field is elected using instant runoff voting (IRV). This system allows voters to rank their candidates by first choice, second choice and third choice, then uses a series of "instant runoff" rounds to determine the majority winner in a single election. If your first-choice candidate is dropped from contention, your vote goes to your second choice as your backup candidate. Last-placed candidates are eliminated round by round, until one candidate ends up with support from over 50 percent of the voters.

Using IRV, voters are liberated to vote for the candidates they really like instead of always picking the "lesser of two evils" or worrying about spoilers. In the 2000 presidential election, if Florida had used IRV, the nearly 100,000 Ralph Nader voters would have had the option of ranking a second choice. No question thousands of them would have ranked Al Gore second. Gore would have been the recipient of all those runoff votes and would have won Florida and the presidency. History would have been changed.

IRV also could help moderate candidates like Senators John McCain (R-Arizona), John Edwards (D-North Caro-

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Congratulations to newly elected Members of the Legislature. We wish you well as you confront the challenges facing this great state of ours.

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lina) or former Los Angeles Mayor Richard Riordan to break the stranglehold that partisan voters have on the primary process. Instead of a November election dominated by the most partisan Democratic and Republican nominees, centrist candidates could build a broad coalition by trying to win the second and third rankings from the supporters of other candidates.

Last November, San Francisco became the first jurisdiction in California to use instant runoff voting for the election of local offices such as mayor and supervisor. It had an immediate impact on the quality of campaigns, fostering more positive campaigns that stuck to the issues instead of mounting nasty attacks trying to tear each other down. That's because candidates sought to win by attracting the second or third rankings from the supporters of other candidates. This caused some candidates to build coalitions together, even holding joint fundraisers and ranking each other on campaign literature. IRV also will save San Francisco taxpayers millions of dollars each election cycle by eliminating the cost of administering low-turnout December runoff elections.

The Utah Republican Party uses IRV to nominate its congressional and gubernatorial candidates, and Ireland and Australia have been using IRV for decades to elect their highest offices. Santa Clara County and Berkeley also have passed pro-IRV measures, and IRV has been drawing national attention, with legislative bills introduced in 22 states. IRV is being watched as a method that can accommodate the reality of diverse candidate fields without resulting in unintended consequences like spoiled races and non-majority winners.

Getting rid of the low-turnout primary elections in California also will save the millions of tax dollars spent to administer them. Why should the public pay for the political parties' private primaries? Since the U.S. Supreme Court has ruled that a political party's primary is a private affair and that California cannot force parties to open up their primary to voters not in their party, then why should California taxpayers foot the bill for these private shindigs? Let the parties pay for a primary or a caucus themselves. Or the parties can choose not to have a primary; they can deliver to the November election as many or as few of their nominees as they wish.

Another badly needed improvement is universal registration. With universal voter registration, all California citizens would be *automatically* registered to vote when they turn 18. Previously this was not technically feasible, but the federal Help America Vote Act has mandated that all states must create statewide voter databases by 2006, which will make universal voter registration possible. It is now used by nearly every established democracy in the world because it makes voter registration guaranteed, nonpartisan and shielded from the shenanigans that plagued the recent presidential election, including accusations of GOP partisans in Nevada tossing out Democratic registration cards, Democratic vote fraud in some cities, and Republican challenges of minority voters at the polls. If deployed throughout the U.S., 50 million voters instantly would be added to the voting rolls, a disproportionate number of them young and minorities. California should lead the way, since so many Californians would benefit.

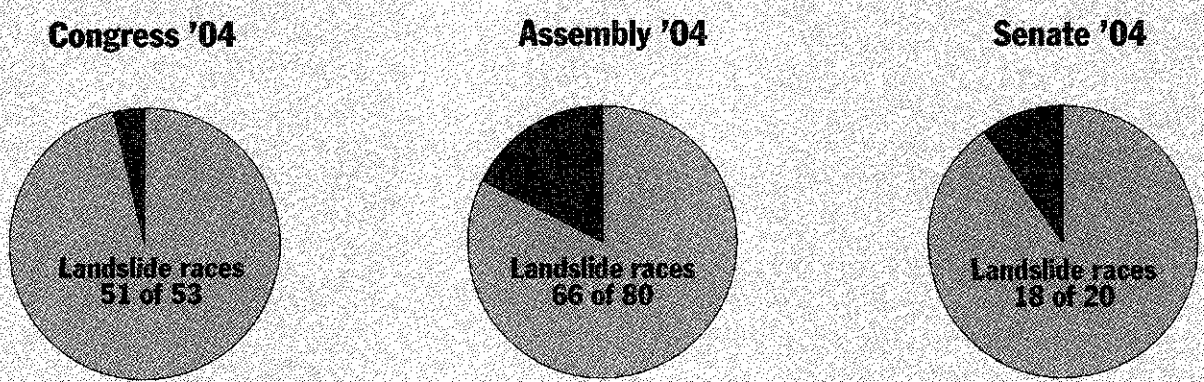
That's how democracy is supposed to work. That's how it can work in California, if the political will is in enough supply, and the state's leaders become unstuck from the fly paper of old ideas.

Send your comments to **comments@californiajournal.org**

California's Lack of Electoral Competition

When incumbents in both major parties draw up safe districts to protect themselves, competition is almost always the loser. Consider California in 2004:

- Of 53 California congressional races, 51 were won by landslide margins.
- Sixty-six of 80 Assembly races ended in landslides. Of the remaining 14, only two were won with less than five-point margins.
- In the Senate, 18 of 20 seats were won by landslides, while in 2002, when the other half of the 40-member Senate was up for election, 18 of 20 seats were won by landslides or were uncontested.



Source: CA Secretary of State's office

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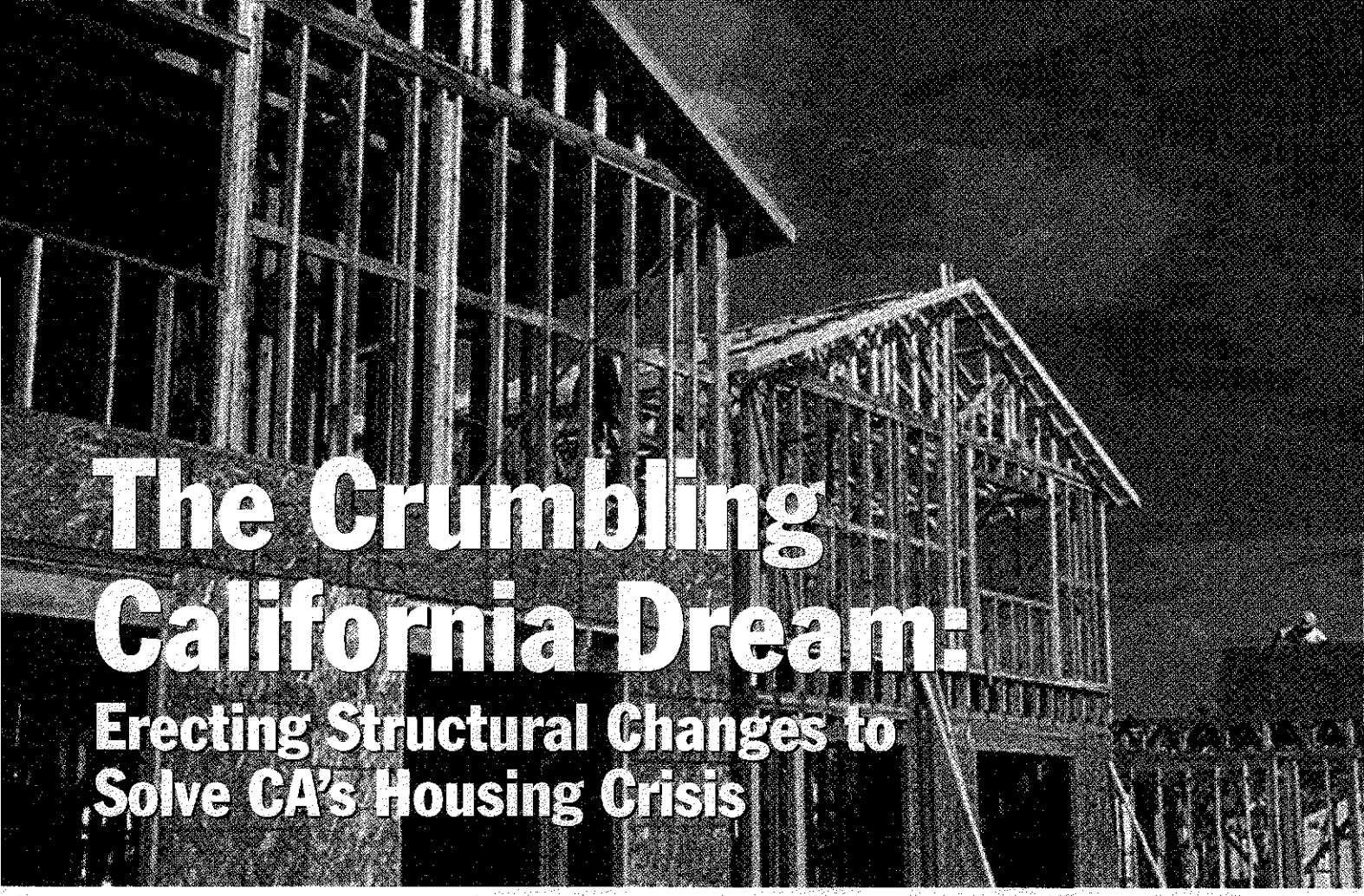

The Crumbling California Dream:

Erecting Structural Changes to Solve CA's Housing Crisis

By Reid Cramer

Reid Cramer is research director of the Asset Building Program for New America Foundation. He can be reached at cramer@newamerica.net

California is a Garden of Eden, a paradise to live in or see;
But believe it or not, you won't find it so hot
If you ain't got the do re mi.

—*Woody Guthrie (1937)*

Almost 70 years ago, the American troubadour Woody Guthrie figured out the paradox of the California Dream. The state has long been a victim of its own success. Attracting those in search of a better life, California doesn't always deliver the goods. But despite their initial struggles, the Dust Bowl migrants and their kin subsequently provided the workforce that propelled an impressive economic expansion.

Today the state is experiencing another round of growing pains, and the most debilitating affliction may be its housing market. California is presently a land of high home prices, rising rents and low homeownership rates. If left unchecked and untreated, these trends will certainly jeopardize the state's fiscal, economic and social health for years to come.

The undeniable reality is that California continues to grow and attract new residents. Although the rate of growth slowed in the 1990s, it still outpaced the rest of the nation. The recent and unprecedented out-migration was more than offset by an influx of immigrants and natural increases. Since the 2000 U.S. Census, more than 2 million new residents now call California home, and experts predict an additional 500,000 people a year for the foreseeable future.

The subsequent increase in demand for housing will place ongoing pressure on local housing markets throughout the state. California is already home to nine of the 10 least affordable communities in the country. While housing costs in California have historically exceeded those in other parts of the country, reflecting amenity value and growth pressures, the recent rise is impressive nonetheless. In 1997, the median home price was about 50 percent higher than the national figure. Yet last year, California's median home price hit $388,000, more than twice the national median, and up almost 20 percent from the previous year. Double-digit, year-to-year percent increases in the median home price have become common. This phenomenon is not isolated to a few select regions but is apparent in both high cost (up 30 percent in Orange County) and low cost (up 27 percent in Fresno

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County) areas of the state. The result is a homeownership rate that is second lowest in the country (58.9 percent), a full 10 points below the national rate that recently topped 69 percent. And unless prices come down, it is not going to get any better. According to the California Association of Realtors, the percentage of households able to afford a median-priced home stood at 18 percent in this past August, down 5 points from the previous year.

Housing costs in the rental market pose similar affordability challenges. In the last three years, the state's median monthly rent has increased more than 19 percent, rising from $747 in 2000 to $890 in 2003. Unfortunately, incomes have not kept up. In other parts of the country, lower- and middle-income families opt for homeownership to better manage their housing costs and begin the process of building up equity. But California's high and rising home prices often preclude this alternative and endanger both family well-being and the state's long-term economic development.

When housing costs eat away large portions of household resources, there is less to save, invest and consume. This is true for both renters and homeowners alike. The barriers to home ownership serve as a particularly onerous obstacle for many families as they strive to achieve economic stability. Clearly, success in America today requires not just a job and growing income, but increasingly hinges on the ability to accumulate a wide range of assets. Purchasing a home is often one of the first steps a family takes on the road to building up wealth, and, even then, housing equity remains for many the largest asset in their financial portfolio.

From an economic policy perspective, the state's housing market has the potential to undermine the ability of businesses to attract a competitive workforce. Since 1994, the state has added three jobs for each new unit of housing; at the same time the construction of multi-family housing has plummeted. According to the state's Department of Housing and Community Development, California added only 1.1 million housing units during the 1990s, about half the number that was added during the 1980s. California has not built enough homes to match the demands of its growing workforce and is in danger of exacerbating the situation by falling further behind. It is no surprise that vacancy rates are near historic lows, making it harder for many to live near their places of work. Besides creating additional problems of congestion, long commutes and environmental degradation, the geographic mismatch of housing and jobs is a serious threat to the state's business climate and economic development prospects.

California's housing troubles have been percolating for years and have been the subject of protracted policy debates. The latest response, a $2.1 billion infusion of state funds through Proposition 46, is a start. But given demographic and market trends, this stimulus may be insufficient. Looking forward, experts cite the need to augment the supply of housing by 220,000 units each year for at least the next 10 years. In the current environment, characterized by high prices, a complicated regulatory process, expensive permitting and high land and construction costs, achieving this output will be a difficult task.

Given the local nature of housing markets, the greatest supply and affordability problems are concentrated in regions of the state with the highest growth pressures. That means there isn't one generic policy elixir. What is necessary across the board is for lawmakers to acknowledge that while housing is built and maintained at the local level, it is done so within a regulatory, fiscal and policy environment of their making. And it is this environment, defined by the relationship between the state and local governments, which must be revisited if California is to address its housing woes.

Perhaps most worthy of reform is the state's fiscal policy framework as guided by Proposition 13. Under the current tax system, local property taxes are capped at 1 percent of market values, assessments can increase only 2 percent per year, and 85 percent of property tax revenues are sent to the state. This means that when a locality allows construction of new housing, the incoming residents don't generate enough local resources to cover the service costs required, such as schools, police and sewers. In short, housing creates more costs than it does revenue. Accordingly, municipalities have prioritized attracting commercial development, often in the guise of strip

CALIFORNIANS STRUGGLE TO BUY A HOME

- Only 19% of California families can afford the cost of a median-priced home, down 5% from a year ago.
- California's median-priced home cost $465,540, requiring a minimum household income of $107,880 annually, according to September 2004 figures. In September 2003, the minimum income level was $91,030, and the median home cost was $384,690.
- Across the United States, the minimum annual income required to purchase a home in 2004 was $43,240, while the median home price was $186,600.
- The most affordable housing is in the High Desert area northeast of Los Angeles, where 42 percent of households can afford a median-priced home. The least affordable housing market is Santa Barbara, where only 6% are able to buy.
- Fewer than six in every 10 California households own a home, the second-lowest rate in the United States.

Source: California Association of Realtors, U.S. Census Bureau

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malls, which provides revenue through sales taxes but doesn't burden services. In a state that needs to encourage the production of more housing, the fiscal incentives are all wrong and need to be fixed.

Furthermore, the state is responsible for maintaining a fair distribution of affordable housing, but it depends upon local governments for action. Through its Housing Element Law, California requires localities to make "adequate provision" of housing, which includes identifying housing needs, development constraints, and a set of housing goals. But many municipalities have adopted a range of growth limits. The problem is that the state lacks the authority to force cash-strapped local officials to build the type of housing needed, which is often costly and politically undesirable. Currently, noncompliance with the law must be established in court; historically, this has proven to be a weak deterrent. And even when a path to build housing is cleared, private developers may be wary of making the effort. Not only do they face high regulatory costs, but often they must confront local opposition in the form of anti-sprawl or NIMBY activism. The increased uncertainty lowers the developer's incentive to participate in affordable housing projects that have built-in low margins.

Any viable policy response must focus on reforms that remove the structural barriers to production. Solutions should be market-oriented, but promoted alongside the right mix of incentives and support for both the producers and consumers of housing. In general, cities cannot be expected to keep up with the state's housing construction demand if they are not better supported financially. State and local leadership must come to agreement on a fair means for distribution of affordable housing and enforcement. Developers should be given incentives to build more housing and buyers should be provided assistance to become homeowners.

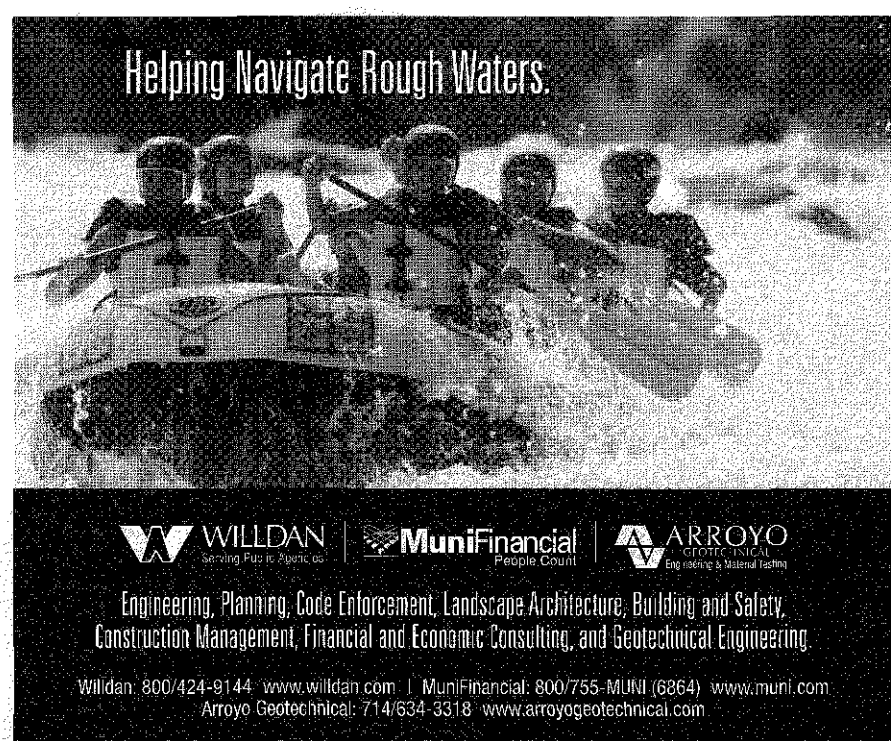
Here are several specific proposals for the state to consider:

While the outright repeal of Proposition 13 is unlikely, the formula should be revised so that municipalities keep a larger share of their property tax revenue if they commit these resources for affordable housing efforts. The state should authorize a *housing bonus*, one that could be awarded competitively or contingent upon performance, which would provide an incentive for local government to help fill the state's housing gap. Just as local governments across the country successfully relaxed zoning restrictions in exchange for a high percentage of affordable housing, the state could reward local governments that meet ambitious housing goals. These housing goals don't have to be hard unit counts but can include a range of inclusionary techniques such as lowering development fees, simplifying the permitting process, establishing income targets and creating local housing trust funds. The state can encourage these actions by sanctioning a menu of techniques and actions that would qualify localities for a housing bonus.

Another way to help cities break away from the "fiscalization of land use," one already proposed in legislation (AB 1221), is a *revenue swap*. This would allow cities to exchange half of their sales tax dollars collected for an equal amount of property tax revenue from the state. Enabling cities to access this funding stream would remove any fiscal bias against housing development, opening up the path for sensible planning deliberations. This swap has the advantage of having a net zero budget impact in the first year, which is good for the state's coffers, but it benefits local governments in the out-years by allowing them to keep the subsequent growth in property tax.

Relieving some of the fiscal pressure on municipalities will only go so far. There must be an expectation that local governments do more. Current law requires that all cities shoulder a share of each region's affordable housing burden. Yet in practice, they fall short. There is a need for *fair share fines*. Legislation should be supported that puts more teeth into the state law by increasing penalties for noncompliance, such as administrative fines that would involve the payout or withholding of real money. The housing bonus should be the carrot and these penalties the stick.

California voters themselves have also erected barriers to housing production by supporting growth restrictions. The Public Policy Institute of California has documented 389 slow-growth ballot measures across the state from 1986 to 2000, 60 percent of which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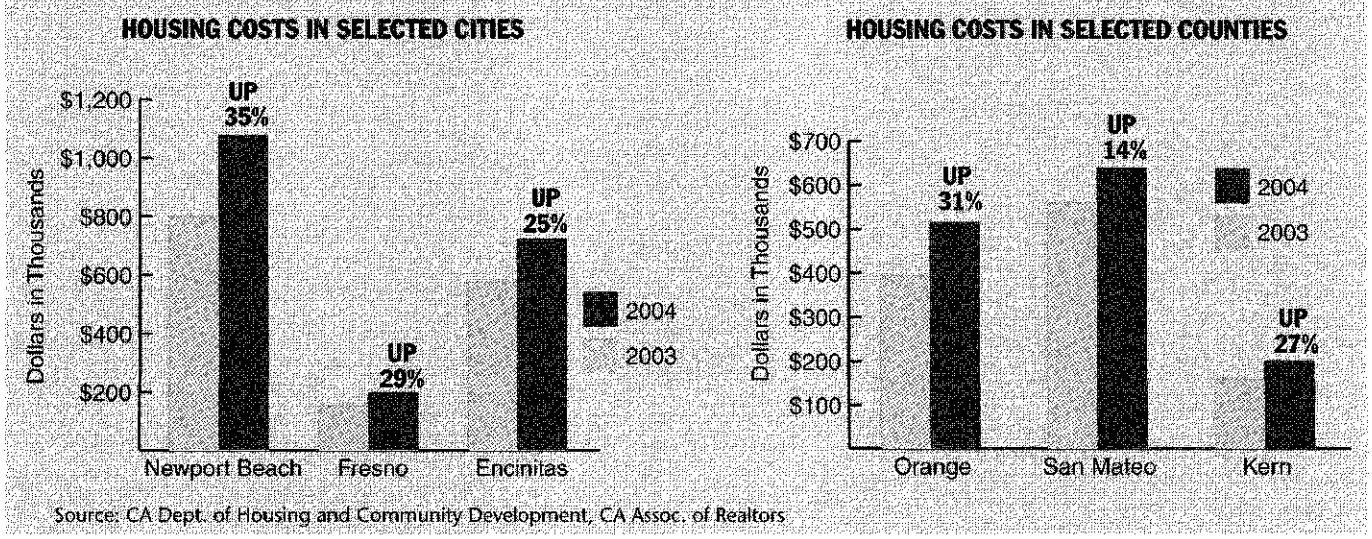
passed. Yet opposition to construction is often rooted in unease over its effects on infrastructure and public services rather than hostility to housing per se. Longer commute times make people less amenable to new development. In this sense, California's housing dilemma cannot be separated from the shortfalls in the state's other infrastructural systems. Since growth is a regional issue, the state needs to promote jurisdictional collaboration to devise responsive planning strategies. Local governments that cooperate to meet regional needs should be rewarded for their efforts, through extra bond money or property tax rebates. The Sacramento Area Council of Governments made such a commitment to focus on affordable housing goals, yet legislation that earmarked $1 million in state funds was recently vetoed by the governor. The objection was because it singled out one region. Nevertheless, it's a good idea that should be available to regions throughout the state, and has the potential to save the state money in the long run.

In addition to solving the supply problem, California needs to help augment demand and should implement a vigorous strategy aimed at increasing first-time homeownership. This could be done through the creation of a California *home buyers' tax credit*, available to qualifying households for the three years after purchasing their first home. This kind of temporary tax relief targets Californians who could raise the state's homeownership rate, families that are capable of buying a home but deterred by the increased financial commitment in succeeding years. Alternatively, California could implement a statewide sweetener to federally-sanctioned Individual Retirement Accounts (IRAs), which can be used for first-time homeownership. These accounts use federal tax incentives to encourage savings but are of little value to lower-income families that don't have a tax liability. The state could create a refundable tax credit, modeled on an extension of the federal Savers' Credit, which would go to qualified taxpayers who contribute to these accounts. Although this would cost money in the short run, benefits will eventually be realized through an expanded tax base. Rounding out the strategy, the state can help facilitate demand by increasing access to housing counseling and financial planning services.

To accommodate its growing population and avoid a revival of the Dust Bowl malaise, California must address the imbalances and inequities of its housing market. There is no doubt that an unprecedented amount of new housing will need to be built in the coming years. Accordingly, the state's economic development strategy must recognize the twin challenges of creating more affordable rental housing located near job centers and providing greater homeownership opportunities. These objectives are not just good for business; they will help seed asset building opportunities for millions of Californians in the decades ahead.

HOUSING COSTS SPIRAL FOR MEDIAN-PRICED HOMES



Source: CA Dept. of Housing and Community Development, CA Assoc. of Realtors

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The race is on

by Sherry Bebitch Jeffe

The period from Thanksgiving through Christmas traditionally is a quiet political time when nastiness takes a holiday.

No more.

It used to be that the holidays provided a lull in the already sparse coverage of city politics by the media, as well. But not last year. Not in allegedly apolitical Los Angeles. A gaggle of candidates have begun jockeying for media attention in the run-up to the 2005 race for mayor of Los Angeles.

Literally.

On Thanksgiving, several challengers jostled with incumbent Mayor James Hahn for face time on the local news, while dishing out meals to the city's homeless and poor. And the cameras recorded it all. Less than two weeks later, the top five candidates for mayor met again in a more formal setting where the stakes were much higher as KNBC, Channel 4 in Los Angeles (my home as a political analyst), hosted the first candidate debate.

There actually are 20 candidates for mayor on the March 8, 2005, ballot but, realistically, only five contenders — all Democrats — have the money and resources to compete seriously for the office. They include:

• **James K. Hahn**. The incumbent mayor served as city controller and city attorney before winning election as mayor in 2001. He has not lost an election during his 23 years in city government and is currently the leader in fund raising.

• **Richard Alarcon.** Alarcon, a former L.A. City Council member, won a close and bruising battle for a San Fernando Valley state Senate seat in 1998. Termed out in 2006, he is lagging in fundraising.

• **Bob Hertzberg.** A former Assembly speaker who represented a San Fernando Valley district, Hertzberg was termed out in 2002. Of the challengers, he has been the most adroit at fund raising.

• **Bernard C. Parks.** Elected to the L.A. City Council in 2003 representing a heavily African-American district, Parks served as a member of the LAPD for 38 years. He was chief of police from 1997 until 2003, when he was fired by Mayor Hahn and replaced by former NYC Police Commissioner William Bratton. An electoral novice, he lags in campaign contributions.

• **Antonio Villaraigosa.** Another former Assembly speaker, Villaraigosa was elected to the L.A. City Council in 2003, representing a heavily Latino district. He lost to Hahn in the 2001 mayoral runoff and was the last major candidate to enter this race but is fast collecting campaign cash.

Hahn's challengers are attempting to position themselves as populists and "political outsiders." Hertzberg's rhetoric often echoes that of his good friend Arnold Schwarzenegger, with talk of "empowering" people and taking down the "For Sale" sign on City Hall. Parks insists that he is "the only candidate running who is not a politician."

Each of Hahn's opponents looks to erode the mayor's base — a coalition of African-American and San Fernando Valley voters. Blacks are angry over Hahn's removal of Parks, and Valley voters over his successful opposition to a Valley breakaway. Parks will lay claim to black voters' support. Hertzberg and Alarcon will work the Valley hard. The Latino vote will be important to Villaraigosa, Alarcon and Hertzberg — who also will look to the Westside for backing.

Each of Hahn's opponents seeks to erode the mayor's base.

Public safety and political corruption are shaping up as the campaign's dominant issues. That's good news and bad news for Hahn. It is a basic axiom of politics that every re-election campaign is a referendum on the incumbent. It's up to him to defend his first-term record. It's his challengers' goal to make the case for change. The candidate who seals the deal with the voters wins.

Hahn's aim is to highlight his record on public safety. "Results are clear," he said in the debate. "Crime is down." But Hahn's challengers kept hammering the mayor regarding alleged corruption in his administration. There are criminal probes underway to investigate allegations of a "pay-to-play" system of awarding contracts to campaign contributors. Hahn has the discipline and the money to keep on message, but the impact of these investigations remains the wild card in the race.

The first debate was the candidates' audition for local opinion-makers, media and campaign contributors. If that audience gets a little nervous about the issue of political corruption, it could hurt Hahn and give his opponents traction.

With the opening salvo of the 2005 election now history, how did the candidates fare? No one was left at the starting gate; no one broke from the pack. The race is on.

Contributing Editor Sherry Bebitch Jeffe is a senior scholar at the USC School of Public Policy. Send comments to **comments@californiajournal.org**

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BUILDING ASSETS:

Creating a Culture of Savers and Investors

By Ray Boshara and Anne Stuhldreher

Ray Boshara, a former economic opportunities advisor to Congress and the U.N., is director of the Asset Building Program at New America Foundation. He can be reached at boshara@newamerica.net. Anne Stuhldreher is a senior research fellow at New America Foundation, specializing in asset development. She can be reached at stuhldreher@newamerica.net

California's leaders need to cut a new deal with struggling families: If you're willing to work and save, we'll help you own a private investment account, accumulate wealth and control your own economic future. And to California's kids, leaders should say: We'll get you started on a path of saving and investment from the day you are born, make sure your school teaches you how this economy works, but it's up to you to make smart investments in your future when you turn 18.

Is that a deal worth making? If so, what holds the deal together is a new citizen-state contract to broaden the ownership of assets, to foster an "ownership society" in California. If California and its 35 million citizens agree to this new social contract, we'll see economic opportunity unleashed, the middle class expanded and happier, more productive citizens.

The need for spurring widespread asset ownership in California is immense. Some 7.8 million California households, or 29 percent, would only last three months at the *poverty* level if they were forced to deplete all of their assets. That's the fourth worst "asset poverty" rate in the nation, more than twice California's "official" poverty rate of 12 percent — and possibly more consequential. When families don't have enough assets, they may be one medical emergency or one layoff away from government dependence. Nor can they buy a home, send their kids to college, start a business, reduce or manage their debts, or make long-term investments. And pass on opportunities to future generations? Forget it. Just imagine any family trying to survive — let alone thrive — in today's economy without assets.

While the need to broaden asset ownership is great, the promise is even greater. Those with assets not only have brighter economic prospects, they're better, happier and more produc-

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tive citizens. This Jeffersonian insight is buttressed by recent research, which finds that when families — including very poor families — own assets (as distinct from income), they are more likely to stay married, work harder, enjoy better physical and mental health, make educational plans for their children, feel more confident about and in control of their futures, take better care of their property, and be involved in community and political affairs. As Aristotle once observed, "Where the middle class is large, there are least likely to be factions and dissension."

Finally, who doubts that California and the rest of the nation will be better off with more savers, investors and owners, and fewer people relying on the government for their livelihood and well-being? Who doubts that we'd be better off with an active investment state instead of a passive welfare state? We certainly can learn from history: Nearly one-quarter of U.S. adults today have a legacy of asset ownership directly traceable to the Homestead Act and the GI Bill — once dubbed "the magic carpet to the middle class" — that have returned to the nation seven dollars for every one invested.

Indeed, today the U.S. continues this wise policy of building assets. Washington "bundles" well over $300 billion a year in investment opportunities through the tax code for mortgage deductions, college and retirement savings, and to spur stock ownership and business investment. Great policies, without a doubt — except that more than 90 percent of these tax benefits accrue to households earning more than $50,000 a year, or roughly the upper-half of America. The bottom half, by contrast, gets several hundred billion dollars a year of income support to "get by," instead of assets to "get ahead." As the nation created and gradually expanded its "modern" welfare state during the 20th century, we somehow stopped thinking that these asset-building policies were good for all Americans.

So, how can asset ownership policies work for everyone — including everyone in California, where nearly one in five adults lacks a high school diploma (the surest route to a lifetime of low wages) and the median price of a single family home is $465,000? As President George Bush moves forward on his ownership society agenda, which embodies exactly the right idea, we need to make sure it includes everyone. President Bush envisions a nation in which citizens — by saving their own money in tax-benefited accounts — make their own decisions regarding college, retirement, homeownership, and health care. Clearly,

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Finally, who doubts that California and the rest of the nation will be better off with more savers, investors and owners, and fewer people relying on the government for their livelihood and well-being?

there's a risk that too many Californians and Americans will not be able save adequately for these purposes, that they will remain ownerless in an ownership society.

What, then, can California do? There's a lot of "low-hanging fruit" that California could pick right now. But with too few Californians owning assets, economic opportunity eluding millions, and the middle class getting squeezed, our vision and agenda must be bolder. We propose that California embrace a two-part ownership agenda that builds on the best thinking and the best economic opportunity policies in the world.

First, any Californian working hard but still earning below $30,000 per year should be offered dollar-for-dollar matching funds for savings that lead to a first home, post-secondary education or training, or retirement. We could call these "California Ownership Accounts." To make this simple, the state could deliver the matching funds through state tax returns for amounts saved in IRAs, Roth IRAs, or California's "529" college savings plan. California could also make it easier for the one in six individuals who receive the Earned Income Tax Credit, a federal tax refund aimed at the working poor, to channel their refunds into these accounts.

Now, one may ask if low-income people can and will save. The answer—based on recent demonstration projects in the U.S., Canada and the U.K. — is a resounding "yes." Savings in these projects were modest, ranging from $18 to $38 per month in deposits, but with matching funds these savings led to the ownership of assets. In California, more than 5,000 people of modest incomes are saving in matched savings accounts. In Silicon Valley, 1,300 savers — with average median incomes of $24,000 — have saved over $1.5 million. More than 500 people have used their savings to buy homes, go back to school and start college funds for their children. With rising tuition and housing costs, and only 39 percent of California workers having an employer-sponsored retirement plan, California Ownership Accounts will reward hard work, thrift and saving, and give struggling but industrious California families a real shot at the American Dream. The estimated price tag of these accounts is $430 million a year, about what California receives each year from its tobacco settlement. Think about it: funds earned from helping people die could instead help them live.

The second and more visionary part of California's agenda should be to create an investment account at birth — a California Kids Account — for each of the 540,000 babies born each year in California. Why set up accounts for children? As any investor will tell you, the earlier you begin saving, the better. As any parent will tell you, the earlier you set expectations for your child to attend college, the more likely he or she will do so. College savings accounts embody expectations; they are hope in concrete form. And, as any financial educator will tell you, financial education is taken more seriously when people — including kids — have an account of their own to manage, real money with which to make investment decisions. If we are witnessing the gradual rise of the "investor class" or ownership society, which most Americans view as a good thing, the sooner kids and adults become comfortable with private savings accounts, the better.

THE PAYOFF FROM SAVINGS

Over 1,300 low-income Silicon Valley residents are currently saving in matched saving accounts similar to the California Ownership Accounts proposed in this article. Throughout California, over 5,000 individuals are participating in similar community demonstration programs where they can save to buy a home, go back to school or start a business. In Silicon Valley, the Assets for All Alliance program shows:

$24,000 is the median household income of the savers.

77% of the savers are women.

84% are people of color.

80%+ have met their savings goals and save at or above their target monthly rate.

500+ individuals have used their matched savings account to purchase homes, go back to school, or start their own businesses.

$1.5 million is the amount saved by 1,300 families since the start of the program.

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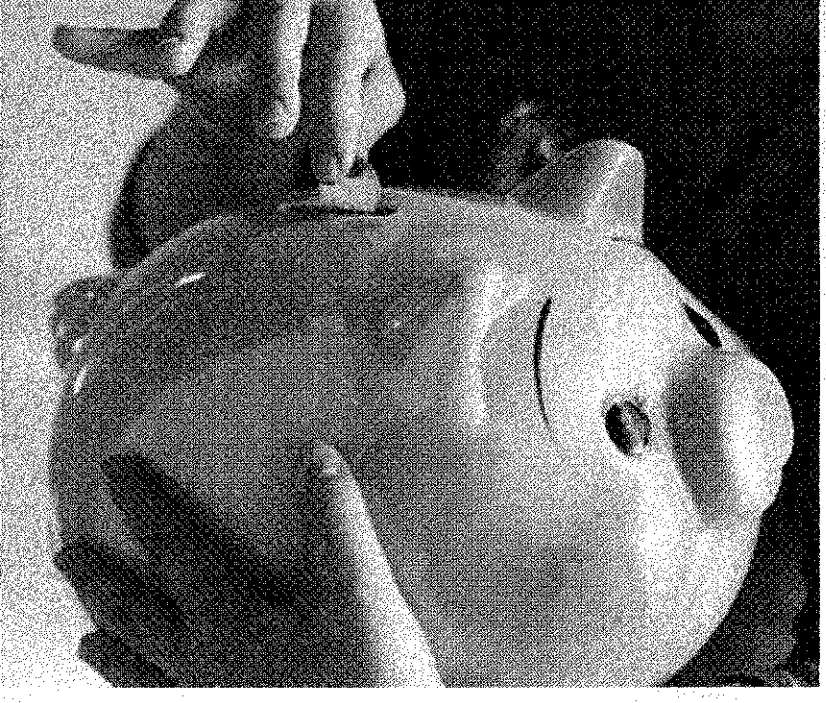

How, exactly, would this work in California? The state could launch every California Kids Account with a one-time, $300 deposit, while encouraging after-tax contributions (not to exceed $1,000 per year) into the accounts of children in households below the state's median income. The accounts would build up tax-free. Assuming low-income families managed to save or leverage just $50 per month, this small investment would grow to nearly $19,000 when the child turns 18 — enough to comfortably cover the first three years of tuition and fees at a public university in California. If the child does not use the account for college, it grows to $34,000 by age 30 and $185,000 by age 65. Besides post-secondary education and training, California Kids Accounts could only be used for a down payment on a first home or rolled over into a retirement savings account; if the account is used any other way, the at-birth deposit must be returned to the state, along with penalties and taxes. The accounts also provide a perfect catalyst and centerpiece to build the financial literacy of all young Californians. At $160 million a year, this relatively small investment — it's less than three-tenths of one percent of the state's $100 billion budget — would be transformative.

California could learn from other pioneers on this front. Beginning next year, each of the 700,000 kids born in the U.K. annually will receive about $400 each in a "Child Trust Fund," with the poorest one-third of kids getting about $800. The idea is to create a "stakeholder" society and help ensure that children have opportunities that their parents may not have had. In Canada, "Learning Bonds" will soon be established at birth to help low-income students save for college. In Kentucky, the Republican secretary of state and the Democratic state treasurer plan to launch a "Cradle to College" initiative, which would establish a 529-type college savings account for every newborn in Kentucky so that no residents would need to forgo college because they cannot afford it. Finally, bipartisan legislation called the ASPIRE Act — led by unlikely U.S. Senate bedfellows Rick Santorum (R-Pennsylvania) and Jon Corzine (D-New Jersey) — was introduced in Congress last July to create a savings account at birth for each of the million kids born in the U.S. Clearly, the idea is catching on, and California has a great opportunity to lead the nation on this path-breaking idea.

Throughout the 20th century, it was assumed that the prosperity generated by industrial economies should be broadly shared — and it largely was, through policies that redistributed income from those who had it to those who did not. And it was often thought that the best anti-poverty policy is a strong economy, the proverbial "rising tide that lifts all boats."

At the dawn of the 21st century, our goal should not be broadly *shared* prosperity, but broadly *created* prosperity. Those boats shouldn't wait around to be lifted, but government should enable struggling families to own and lift their own boats. Our goal, after all, should not be to penalize or reduce wealth at the top — we want to reward hard work, creativity and initiative — but to enable more Californians to create and build their own wealth. That's a "new deal" all Californians should eagerly embrace.

Send comments to **comments@californiajournal.org**

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BUILDING ASSETS: What Should California Do Now?

By Ray Boshara and Anne Stuhldreher

Even in this era of dwindling public resources, California can take significant steps to encourage its residents to save and invest in themselves. The following are a sampling of cost-effective, asset-building policies. Most are from other states, which are ahead of California in this emerging policy area. These recommendations would bolster the economic security of the state and its 35 million residents.

•Create a system of voluntary retirement accounts for businesses and individuals. Only 39 percent of California workers participate in an employment-sponsored retirement plan. Social Security payments alone — which average $901 per month in California — will not sustain individuals in their retirement. Many companies do not offer retirement plans because they are too complex and costly. To help companies overcome these barriers, a group of Republican and Democratic Washington state legislators propose to offer Voluntary Retirement Accounts, state-sponsored, universal, 401(k)-style retirement accounts that workers can take job to job. If a company chooses, it could opt into a system that will be administered by the state's retirement system. The Washington group estimates its start-up costs would be $5 to $10 million but the program would eventually be self-sustaining. For relatively small start-up costs, California could create a similar system of accounts that would help millions of Californians save for their futures. Over 80 percent of Washington residents support the Voluntary Retirement Account idea.

• Launch a campaign to encourage all eligible Californians to claim the Earned Income Tax Credit (EITC). The EITC is a federal tax benefit to reward work for Americans earning less than $33,500. Last year, 2.4 million Californians received $4.2 billion in tax credits. The IRS estimates that more than 750,000 Californians who are eligible for the benefit neglected to claim $1.3 billion in EITC refunds last tax season. This money, left in Washington, D.C., instead could be used by Californians to buy homes, go back to school, or spend as consumers. The number of Californians dependent on public services would also be reduced. Other states have launched effective EITC awareness campaigns to bring more of these dollars into their states. In 1999, Washington state spent $316,000 on an EITC awareness campaign that spurred 3,667 additional households to apply for the credit. California should do the same.

•Build the financial literacy of all Californians. Every Californian needs the knowledge and skills to navigate the changing financial services industry to make good choices for themselves and their families. Banks, schools, churches and community groups throughout California conduct ad-hoc financial literacy programs. These disparate efforts should be catalogued, coordinated and strengthened. Financial literacy skills should be integrated into the kindergarten through 12th-grade curriculum. The No Child Left Behind Act calls for innovation in this area, but it has not been funded. Welfare recipients should be able to enroll in financial literacy classes that count toward their work requirements, as they can in Illinois. The state's caseworkers should also be trained to build the financial literacy of their clients, as they do in Illinois. Lastly, a tax incentive could be given to employers to provide financial literacy training to their employees.

•Bring all Californians into the mainstream financial system. At least 10 million U.S. families — most of them earning less than $25,000 per year — are "unbanked," meaning they lack checking or savings accounts. Twenty-eight percent of Californians lack a basic transactional account. Without these basic accounts, too many Californians lack the first tool they need to save and build assets. California can change that. The 1.2 million California residents who receive welfare should have their benefits directly deposited into bank accounts. Benefits are currently delivered via smart cards. An electronic account could be added to the card. The state should also encourage banks to accept the Matricula Consular Card, the identification card issued by the Mexican government. An effort in the Midwest to encourage banks to accept the card spurred 50,000 unbanked individuals to open accounts in the past 18 months, with average balances of $2,000. Finally, employers should get a tax credit to provide their employees direct deposit, access to inexpensive accounts and financial literacy training.

•Build privately funded task force that will study the problem of asset poverty and how it can be remedied. California needs more information about the dimensions of this problem in order to craft effective solutions. The Asset Policy Initiative of California has begun to convene nonprofit, business and government leaders to explore effective politics and build concensus around a comprehensive policy endeavor. State leaders should learn about and engage in this effort.

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Redevelopment: The *other* side

by Scott Kennedy

Redevelopment agencies in local communities got a bad rap in a recent commentary by Doug Kaplan ["Time to repeal redevelopment," August 2004]. As his neighbor in Santa Cruz County and the former mayor of the city of Santa Cruz, I'd like to respond with the story that *didn't* get told about the benefits that redevelopment agencies provide their communities, particularly affordable housing.

California's housing crisis is old news. Anyone paying attention or trying to buy a house knows the supply of housing is insufficient and unaffordable to most Californians. With the imbalance between supply and demand, the private sector has little incentive to solve the problem by itself.

In our city, however, the local redevelopment agency has played an indispensable role in providing housing. In fact, redevelopment agencies statewide are the second-largest funders of affordable housing, behind the federal government. Since 1995, the City of Santa Cruz Redevelopment Agency has helped produce affordable homes for more than 500 low-income families.

Redevelopment agencies provide critical resources to California communities.

By law, redevelopment agencies "set aside" 20 percent of their gross annual tax increment revenues exclusively to provide housing for very low-, low- and moderate-income families, seniors and disabled persons. Since 1998, agencies across California have assisted at least 88,700 families to find affordable housing.

Redevelopment agencies report to the California Department of Housing & Community Development on their housing activities each year. The latest report shows that $712 million was spent in 2002 on activities resulting in homes for low- and moderate-income families. These activities can include property acquisitions, helping families purchase a first home and assisting households with monthly housing costs, construction, rehabilitation and maintenance.

Santa Cruz would not be the same without redevelopment. The 1989 Loma Prieta earthquake destroyed more than half of our downtown. Having a redevelopment agency and using redevelopment law made significant contributions to downtown recovery. One of the most significant contributions has been creation of low- and moderate-income housing that has been a key part of the physical reconstruction, social diversity and economic vitality of our downtown.

In addition to working with other organizations to increase affordable housing in the city, the redevelopment agency helps ensure that families stay in their homes by contributions to the Santa Cruz County Community Action Board's Emergency Rental/Mortgage Assistance Program.

Santa Cruz is not the only California city using redevelopment resources to help house its [neediest] citizens. For example, from 1996 to 2003, San Francisco's Redevelopment Agency invested about $231 million of local funds and leveraged $1.5 billion to produce affordable housing for seniors, the disabled and low-income families. Between 2000 and 2002, the Whittier Redevelopment Agency invested $1.5 million in a first-time homebuyer program. Los Angeles this summer broke ground on a $32 million housing and retail complex that includes housing for low-income families. The city's redevelopment agency facilitated a private and public partnership to make it happen. In Fontana, an $18 million project is expected to provide homes to 400 low-income residents over age 55. The Watsonville Redevelopment Agency contributed resources to the city's YouthBuild program, which enables young people to acquire construction skills while addressing the blighted living conditions of low- and moderate-income families in that city.

Redevelopment agencies provide critical resources to California communities — building housing, creating jobs and revitalizing downtowns and business corridors. The projects cited above are just a few of the many accomplishments by California's redevelopment agencies.

Given redevelopment's contribution to improving the quality of life in places such as Santa Cruz, I'm baffled by the pounding that redevelopment agencies take in California's politics. Moreover, redevelopment activity is a significant contributor to the economy of California. If state legislators are looking to find money from redevelopment to solve their problems, I suggest they look elsewhere.

Scott Kennedy served 12 years on the Santa Cruz City Council and was mayor until November 2004. Comments may be sent to **comments@californiajournal.org**

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california JOURNAL *Independent analysis of politics & government*

January 2005

Dear Reader,

In December 2003, we established the nonprofit California Journal Foundation for Research and Education in State Government in an effort to save the award-winning *California Journal* magazine and to further its mission: to improve California policy and governance by promoting broad public understanding of the critical issues facing the most populous, diverse state in the country.

Since publication of its inaugural issue in January 1970, the unique, nonpartisan *Journal* has delivered on this mission. The magazine's in-depth reporting and analysis has helped Californians understand how their state and local governments function, how decisions are made, and why they have a stake in those decisions. The *Journal* has also helped officeholders and other policy makers to understand the impact of their decisions on ordinary citizens. In this way, the *Journal* has substantially contributed to a dialogue vital to California and its citizens for the last 35 years. There is simply no other publication in the state that rivals the *Journal's* nonpartisan, balanced coverage of key state policy issues, political races, and ballot measures.

With the financial support of key foundations, Friends of the Journal and loyal subscribers, along with the continuing dedication and teamwork of the small but capable *Journal* staff, the new Foundation made significant strides during 2004. The *Journal* boosted circulation, increased advertising revenues, established new partnerships and raised over $450,000, while successfully publishing another 13 consecutive monthly issues during a busy election year.

Despite these successes, however, the necessary funds to sustain publication of the *Journal* for 2005 remain elusive. Less than half of the *Journal's* modest $850,000 annual budget comes from subscribers and advertisers. As with many nonprofit and/or special interest publications, the balance of the budget derives from contributions, grants and in-kind services. Such funding for 2005 has not been forthcoming despite our best efforts. Therefore, on December 1, 2004, the Board of the California Journal Foundation publicly announced with deep regret its decision to suspend publication of the *Journal* immediately following this issue.

We are deeply indebted to you, longtime *Journal* readers, for your loyalty and support over the last 35 years. We also gratefully acknowledge those whose contributions enabled the *Journal* to continue throughout 2004, and we recognize their support on the facing page. We are thankful to *Journal* team members for their unending commitment to the magazine despite so much uncertainty over the last year, and wish we had better news to share.

Even so, we mean to continue if we can. We seek your individual and collective help in resurrecting the *Journal* and sustaining its unique nonpartisan mission. While there may not be another *Journal* issue on the immediate horizon, the *Journal* will not go quietly. As a rare, independent voice in California's political wilderness, the *Journal* deserves to survive. Please write us at **ag_block@sbcglobal.net** to share your thoughts.

Sincerely,

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A note to our readers...

As California Journal suspends publication

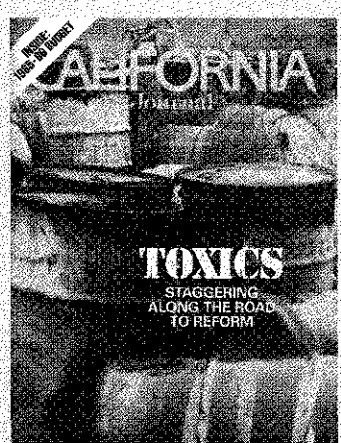
By Lou Cannon and A.G. Block

Thirty-five years.

They are the blink of an eye in human history and less than half the normal lifetime for a human being. But they are a very long time for a magazine of humble origins. As we go to press, it appears that *California Journal's* extraordinary run will end with this issue — barring an eleventh-hour rescue. We are not happy to make this announcement.

Thirty-five years.

When *California Journal* was launched in January 1970, the founders expressed its mission in a note to readers: "*California Journal* ... is designed to provide a source of authoritative information on state government and politics. Our reporting and analysis of the events and issues will be as free of bias and partisanship as our knowledge and understanding of the truth will permit. [Our] purpose is not simply to record facts but to contribute a broader awareness of the workings of state government and the manner in which the system responds to the will of the people and their elected leaders."



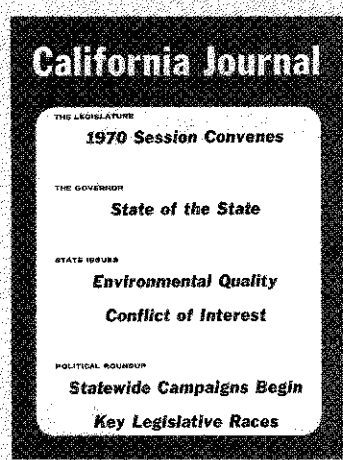
CJ, September 1985

We have done our best to keep faith with that mission for three and a half decades.

Much has changed in California and the nation since *California Journal* was first published, although in some ways the present time is oddly reminiscent of 1970. Then, as now, a movie actor-turned-politician had become a popular governor of California, and Americans were fighting and dying in a faraway war from which their government appeared to have no clear exit strategy. Then, as now, social scientists and ordinary Californians wondered if the state could endure the stress of its popularity as relentless immigration strained natural resources and the state's transportation and education systems. Twenty million people, or nearly one in 10 Americans, lived in California in 1970. Today, California is home to more than 35 million people, one in eight of all Americans.

But there are differences, too.

Most strikingly, the human face of California has become even more diverse. In 1970, whites made up 76 percent of the population, while one in seven Californians was a Latino. Today, no ethnic group is a majority of the population. Nearly one in three Californians is Latino, and the percentage of Asians is growing rapidly. California has become the great salad bowl of America. Los Angeles County alone has more Mexicans, Iranians, Filipinos, Salvadorans, Guatemalans, Koreans, Armenians, and Thais than live anywhere outside their own countries. California's highways are more crowded, its housing more expensive, its open space reduced. The state's fastest growing regions are no longer its pricey coastal areas but its inland valleys and deserts. The face of industry has changed, too. California remains the nation's most productive agricultural state, but the aerospace industry that was dominant in the Cold War days of 1970 has been replaced by the new industries of the Internet age.



CJ, January 1970

Through all these changes, California has remained, as writer Wallace Stegner once observed, "the national culture, at its most energetic end." The state has survived earthquakes, droughts, energy crises and urban riots. It was the birthplace of a tax revolt that, like so many other movements that began here, spread across the nation.

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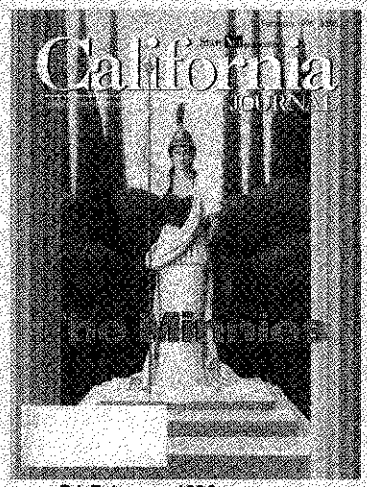
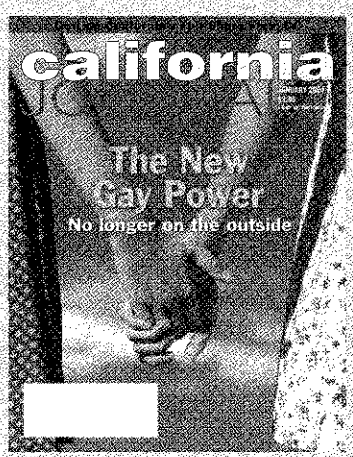
California Journal covered the changing trends every step of the way — and they have affected us as well. What has affected us most, perhaps, is a change in the political sensibility of the citizenry. While shifts in political participation elude precise measurement, there are clues. For instance, public interest in political news was sufficiently widespread in the late 1960s and early 1970s that 10 to 12 California television stations maintained permanent bureaus in Sacramento and carried news about state government almost every night. By the mid-1990s, every one of those bureaus was shuttered, although a few ventured back following the 2003 election of Arnold Schwarzenegger as governor.



CJ, February 1996

When *California Journal* was launched, the publishers assumed that readers valued balanced coverage and would welcome a magazine "free of bias and partisanship." It would be difficult to make such an assumption today when Internet sites, blogs, talk radio, cable television networks and publishers thrive by pandering to partisanship. In this election year, a prominent book editor noted that there was a public appetite for books that demonized or deified President George W. Bush but lamented that no market existed for balanced books on the administration. This turn in the political climate has made it more challenging for a magazine that lacks an ideological base — and would never want one.

In saying this, we do not blame others or changing times for the predicament that has brought *California Journal* to the brink of closure. This magazine was always, even in its best years, an uphill struggle. At no time did the income received from subscriptions and advertising equal the cost of publication. For many years, *California Journal* was subsidized by a public-spirited private company — State Net, a Sacramento-based entity that specializes in legislative information. In an earlier nonprofit phase, the balance sheet was underwritten by donations and grants, largely from the Ford Foundation. This year contributions from four foundations and numerous individuals made publication possible. The *Journal* must raise about half of its $850,000 annual budget from such donations — and that is merely to maintain the status quo, much less allow it to grow and modernize.



CJ, January 2004

The *Journal* that arrives in your mailbox each month represents a publishing miracle made possible by a small but dedicated staff. To survive, let alone prosper, we need to find new subscribers, add staff and move more forcefully into the digital age by improving the *Journal's* Web presence. As we write this, funding commitments merely to maintain the status quo into 2005 have not materialized, despite determined efforts by the *Journal's* nonprofit foundation board of directors.

CJ, August 2000

Unless a rescue arrives after this issue goes to press, this edition of *California Journal* will be its last. Could the magazine be revived at a later date, perhaps in some other form? The answer is a qualified "yes," but that resurrection would depend on the response of those with an interest in public affairs and the financial wherewithal to breathe new life into the magazine and the foundation that publishes it.

And so, we bid farewell, if not quite goodbye.

Farewell, especially, to you, our loyal and longtime readers, who have made *California Journal* a reality for 35 years.

We will miss you.

We hope you will miss us.

Lou Cannon is president of the California Journal Foundation for Research and Education in State Government. A.G. Block is editor of California Journal.

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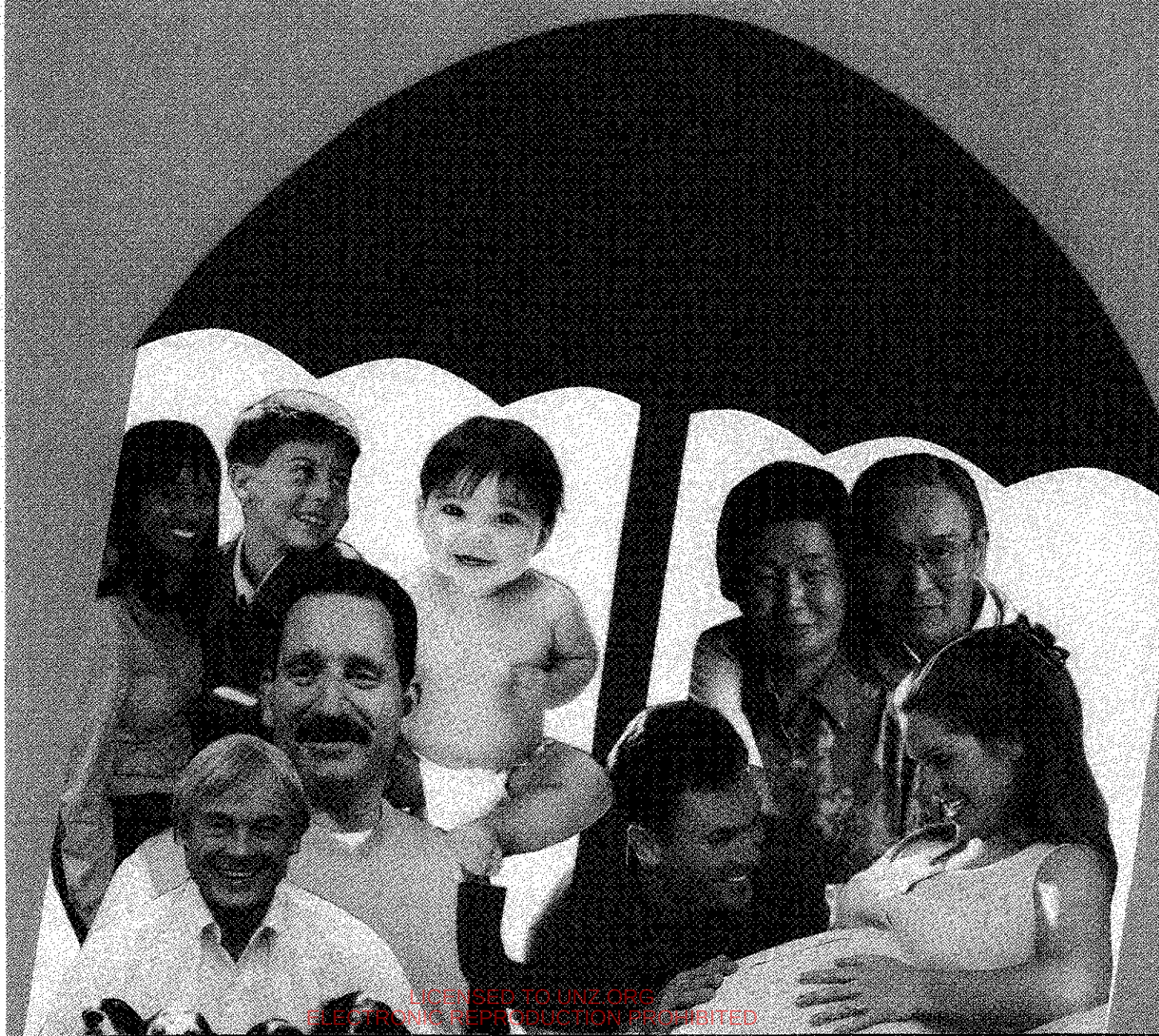
UNDER THE UMBRELLA OF HEALTH CARE



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Finding room for California's uninsured requires mandatory, universal coverage

By Laurie Rubiner

Laurie Rubiner is director of the Universal Health Insurance Program at New America Foundation. She can be reached at lrubiner@newamerica.net.

On Election Day, California voters narrowly rejected a ballot initiative — Proposition 72 — that would have required businesses with 50 or more employees to provide health insurance to their workers or contribute financially to a state health insurance pool.

That defeat was not terribly surprising, given that pre-election polls revealed a steady erosion of support for the measure as some sectors of the business community invested millions of dollars in a drive against it. After years of searching for a solution to the state's uninsured problem, California legislators and the governor must now go back to the drawing board to search for another idea that will cover the 6 million uninsured Californians and save the state and hospitals money, all without breaking the backs of employers.

The vote on Proposition 72 gave us some intriguing insight into what kind of system Californians want, and the state's legislators should be mindful of the signal that voters sent. Despite a well-financed campaign opposing it, Proposition 72 failed by the slimmest of margins — 49 to 51 percent. It's an indication that California voters are serious about solving the problem of the uninsured, but also recognize that placing the burden solely on business may not be the best way to achieve their goal.

The close vote on Proposition 72 suggests that many insured Californians are feeling some insecurity about the stability and affordability of their own health coverage, and with good reason. The cost of health insurance has soared in recent years, and employers have imposed cost containment measures, such as increasing worker contributions and ending dependent coverage or making it more expensive. This growing insecurity, coupled with the fact that 6 million people in California lack health insurance, entirely makes it easy to understand why voters are tempted to support a mandate on employers to provide health insurance. Yet the outcome also suggests that Californians fear losing their jobs even more. After all, the main argument many employer groups used against Proposition 72 was that it would be too costly for businesses, forcing them to downsize, move out of the state or fold entirely.

But the business community is not monolithic in its opposition to requiring employers to provide health benefits. In fact, many employers who voluntarily provide generous employee and dependent coverage welcome an employer mandate. They recognize that they are subsidizing companies, such as WalMart and McDonald's, by providing health insurance to the spouses of workers who may be employed without coverage at one of these companies. Listen to John Catsimatidis, CEO of Gristedes supermarkets, who argued in a recent *Christian Science Monitor* article that if his "competitors are allowed to be irresponsible employers, not providing health and other benefits — they're not only hurting their employees, they're hurting mine."

While an employer mandate such as the one proposed through Proposition 72 would have made strides toward leveling the playing field among medium-sized and larger employers, it would have covered only about a fifth of California's uninsured population. Because the mandate would only apply to employees in firms with more than 50 employees, only 18 to 26 percent of uninsured Californians would have gained coverage. This is because it targeted the wrong segment of the population: according to the California HealthCare Foundation, 95 percent of the targeted employers with 50 or more employees already offer insurance to some of their workers — whereas only 65 percent of smaller employers (who would have been exempt from the mandate) offer coverage. The initiative would have left the millions of employees in small businesses without coverage, perpetuating the outdated notion that health insurance is best delivered through employees in large firms. And it would have continued the trend of some businesses subsidizing the health insurance of dependents whose employers don't offer coverage.

Proposition 72, however, did recognize that health insurance is and should be a shared responsibility, a fact that didn't receive much attention. The legislation would have required employers to contribute 80 percent of the cost of health care premiums. Individuals would have been required to accept coverage from their employers and contribute the remaining 20 percent. While this distribution may be skewed, the concept is correct and should be expanded. Yes, employers should be required to contribute to the cost of their employees' health insurance. But individuals have a role as well. Health insurance should be not only a right, but a duty. All Americans should be required to maintain a basic level of health insurance and to contribute a reasonable share of their income toward the cost of their own coverage. Where necessary, government should provide financial help to bridge the gap.

This solution — universal coverage for universal responsibility — is achievable. To be sure, many Californians are uninsured because they are too poor to afford health insurance. But nearly a third are living in households where their income is three times the federal poverty level

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— nearly $50,000 for a family of three. Many of these individuals could afford to contribute toward the cost of their health insurance if they chose.

In addition, almost half of the uninsured in California are relatively young and healthy — between the ages of 18 and 34 — and they are the fastest growing demographic of the uninsured. Many of these younger people are playing Russian roulette with their health — gambling that they'll stay healthy. But when they do get sick or suffer a traumatic injury, their ensuing health costs often force them into personal bankruptcy or are passed onto taxpayers or the insured in the form of higher premiums. Bringing all these younger and relatively healthy individuals into the insurance pool would spread risk more evenly among the population, bringing down the cost of insurance for everyone. It would also protect the rest of California taxpayers from having to absorb their uncompensated health care costs.

Another important advantage to a mandatory health insurance system is that health insurance would be tied to the individual rather than the employer. The current voluntary employer-based system evolved during the Depression when wage caps forced employers to find another way to compensate their employees. They began to offer their employees and dependents health and pension benefits as a substitute for higher wages. This system made sense 45 years ago when most employees worked full time supporting an at-home wife and children.

Today's work force, however, looks very different; millions of people are so-called "nonstandard" employees: part time, temporary and low-wage. These individuals either aren't eligible for employer-sponsored insurance or earn too little to afford their share of the premiums. Indeed, two-thirds of the 45 million Americans who are uninsured are working. Under a universal, mandatory system, all individuals would have insurance regardless of the number of hours they worked or their place on the corporate ladder. And people would no longer have to worry that losing a job means losing their health insurance, a phenomenon that causes labor market distortions such as job lock. It would also do away with one of the most vexing problems for people with employer-sponsored coverage — the inability to take their doctors and health plans with them from job to job.

And unlike Proposition 72, a system of mandatory health insurance would be universal because it would apply to everyone, regardless of the size of the employer or the number of hours worked. This would level the playing field among businesses, since all employers would be required to contribute toward the cost of coverage. It would also end the cost-shifting of dependent coverage that occurs under today's voluntary system.

Since employers would have the option to contribute a fixed amount toward the cost of their employees' coverage, it would stabilize their costs, insulating them from unpredictable yearly premium increases.

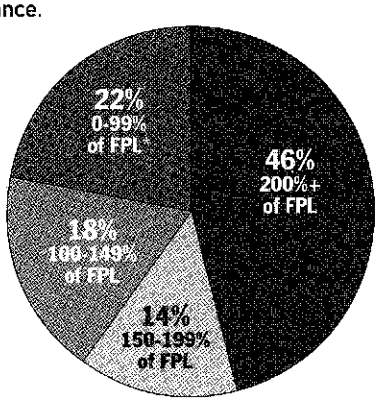
Small businesses that can't afford to offer their employees health insurance today would also receive tax credits to help them cover the cost.

The good news for Californians is that they don't have to start from scratch — the building blocks are already there. Almost half of California voters support an employer mandate and Governor Arnold Schwarzenegger recently suggested an individual mandate as a route to coverage. Marrying an employer mandate that includes all employees to an individual mandate would result in all Californians gaining coverage and could serve as a model for other states and the nation.

Send comments to **comments@californiajournal.org**

Uninsured Family Income

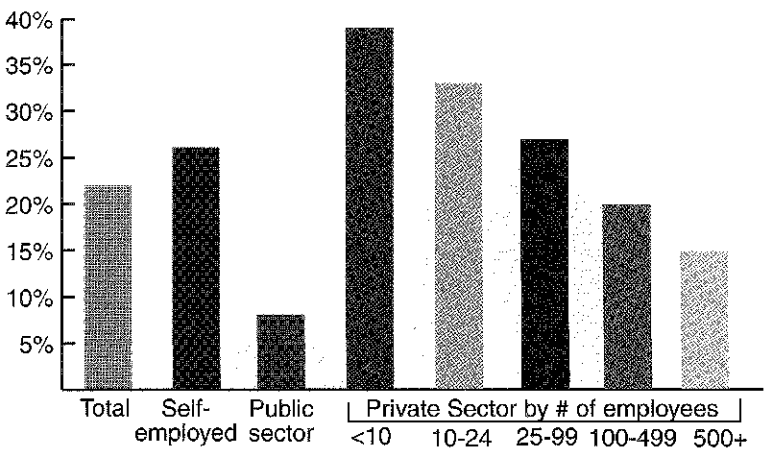
Almost one-quarter of California's uninsured have family incomes below the federal poverty level. Many of these individuals are childless adults, who are not eligible for public health insurance.



*The Federal Poverty Level (FPL) was $8,980 for a single person and $18,400 for a family of four in 2003.
Source: Employee Benefit Research Institute estimates of the Current Population Survey, 3/04

Uninsured Workers

Of California's 22% uninsured workers, those who are self-employed or in small businesses are the least likely to have health insurance.



Source: Employee Benefit Research Institute estimates of the Current Population Survey, 3/04

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Red king, blue state

by Marc Sandalow

Arnold Schwarzenegger will never be president. Those six words are difficult to accept for true believers. After all, the popular governor of the nation's most populous state has made a career of defying expectations and overcoming seemingly insurmountable obstacles.

Anyone on the floor of the Republican National Convention this summer who saw the gushing adulation in the eyes of the delegates as Schwarzenegger spoke understands why the Austrian-born movie star would begin at the top of the field. Republicans around the country witnessed the unparalleled stage presence of a man who has made no secret of his desire to change the U.S. Constitution.

But in the shadows of the same convention hall, it was also apparent that Republicans would not let it happen. It is true that the Senate Judiciary Committee is considering a constitutional amendment supported by the outgoing chairman, Republican Orrin Hatch of Utah, and the ranking Democrat, Edward Kennedy. Yet at the same convention where Schwarzenegger proclaimed his opponents "economic girlie-men" sat at least six other Republicans who picture themselves as the next president.

How much legislative time and political capital do you suppose Senate Majority Leader Bill Frist will spend to push through an amendment to allow a far better-known rival to challenge him for the GOP nomination?

Do you suppose that Senate Judiciary Committee conservatives such as Jeff Session of Alabama, Larry Craig of Idaho and John Cornyn of Texas will seek to amend the Constitution on behalf of a man who is untroubled by same-sex marriage and posed nude for a gay magazine?

"It makes so much sense for Republicans," argue many who live in Democratic states, who believe a straight-talking, fiscally conservative and socially moderate Republican might expand and solidify the GOP majority for years into the future.

Perhaps. But those people forget that the Republican Party is not controlled by a single wise man (let alone woman), but by a collection of ambitious competitors.

It would not take many Republicans to derail the "Arnold amendment." Even if every Republican on Capitol Hill supported it, an amendment would still require the approval of 13 Democratic senators and 62 Democratic representatives — a nearly impossible feat in today's climate. Each Republican defection — and there would be many — requires an additional Democratic vote.

It is almost impossible to foresee a scenario in which such a measure succeeds. And it is a terrible shame for those of us who make a living observing politics because a Schwarzenegger candidacy would be a spectacularly fascinating phenomenon. Could a wildly popular, muscle-flexing, Hollywood insider, who supports legal abortions and gun control, overcome the opposition of religious conservatives?

It would not take many Republicans to derail the "Arnold amendment."

Would enough independent and Democratic support allow Schwarzenegger to ride his celebrity and centrism to primary victories in blue states like New Hampshire, New York and Michigan? Might Schwarzenegger be the sort of transitional figure who could overcome the exaggerated image of a blue and red divide?

It is hard enough to measure Schwarzenegger's influence on partisan politics at home. He is a Republican popular even in the state's most Democratic regions, a feat that should provoke awe among those who have sipped Peet's coffee in North Berkeley.

At the same time, it is difficult to identify meaningful signs that Schwarzenegger is turning one of the nation's most Democratic states less blue. It is true that Schwarzenegger didn't expend any effort campaigning in the state for Bush, who lost California by 1.2 million votes. But he did endorse the GOP's Bill Jones for U.S. Senate, who lost by 2.4 million votes (which means there were about 1.2 million voters who cast ballots for Democrat Barbara Boxer and Bush).

For a fascinating comparison, visit the California Secretary of State's Web page (http://vote2004.ss.ca.gov/) and look at the map of the 2004 vote side-by-side with the 2000 vote. Statewide in 2000, with Gray Davis as governor, 53.5 percent of voters supported Al Gore. In 2004 with Schwarzenegger in office, 54.4 percent supported John Kerry. Of the 58 California counties, only Alpine and Mono switched allegiances.

Before national Republicans lay down their own ambitions, they may demand that the governor first perform the Herculean task of turning California red, a feat which at this time appears as unlikely as a Schwarzenegger presidency.

Contributing Editor Marc Sandalow is the San Francisco Chronicle's *Washington bureau chief. Send comments to* **comments@californiajournal.org**

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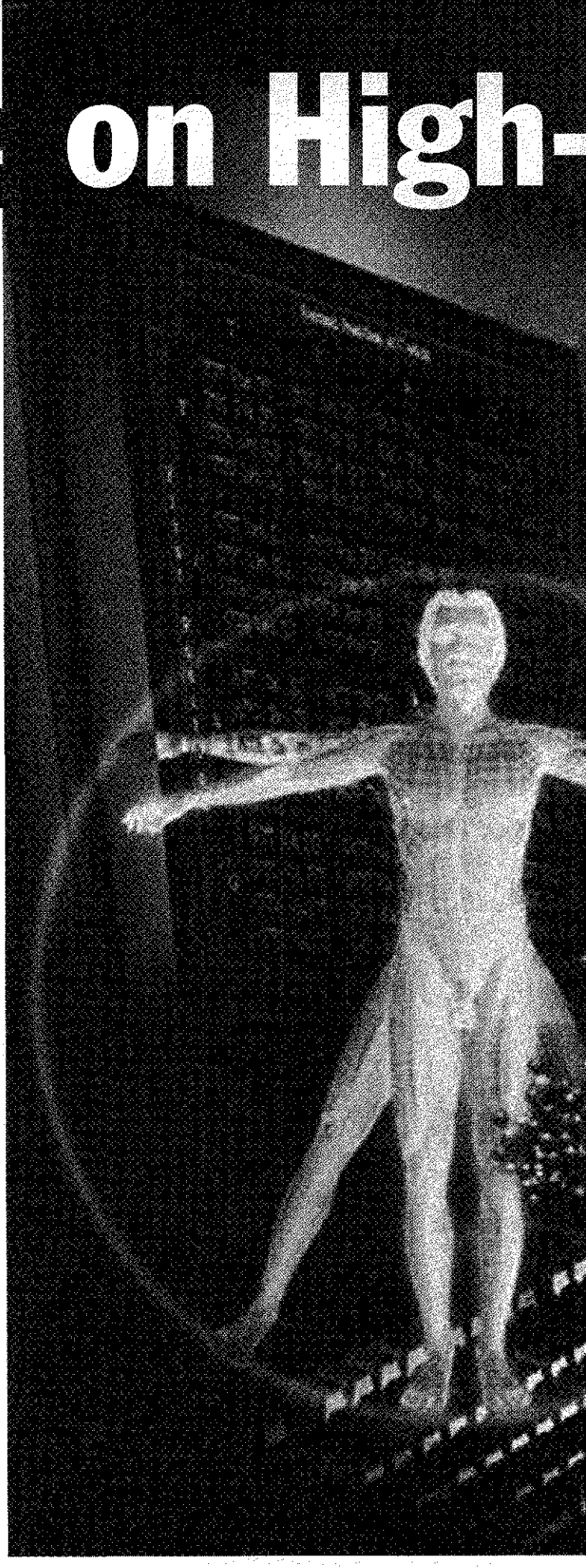
Teetering on High-



Unless California invests deeply in university research and its "knowledge-intensive" industries, its dominance as the world's high-tech powerhouse could be at risk

By Thomas Kalil

Thomas Kalil is a special assistant for science and technology to the UC Berkeley Chancellor and a senior fellow with the Center for American Progress. He served as deputy assistant for technology and economic policy under President Bill Clinton. Kalil can be reached at kalil@newamerica.net.

California's strength in knowledge-intensive industries is so great that many policy makers take it for granted. After all, California hosts more top-ranked universities than Europe and Japan combined. It is also a world leader in transferring new knowledge from the lab to the marketplace, thanks to a skilled, entrepreneurial workforce and a heavy concentration of venture capital. The result for decades has been a virtuous cycle of development in which the excellence of California's higher education system attracts more and more talent and investment to the state, which in turn enables it to dominate one emerging industry after another. For example, such world-

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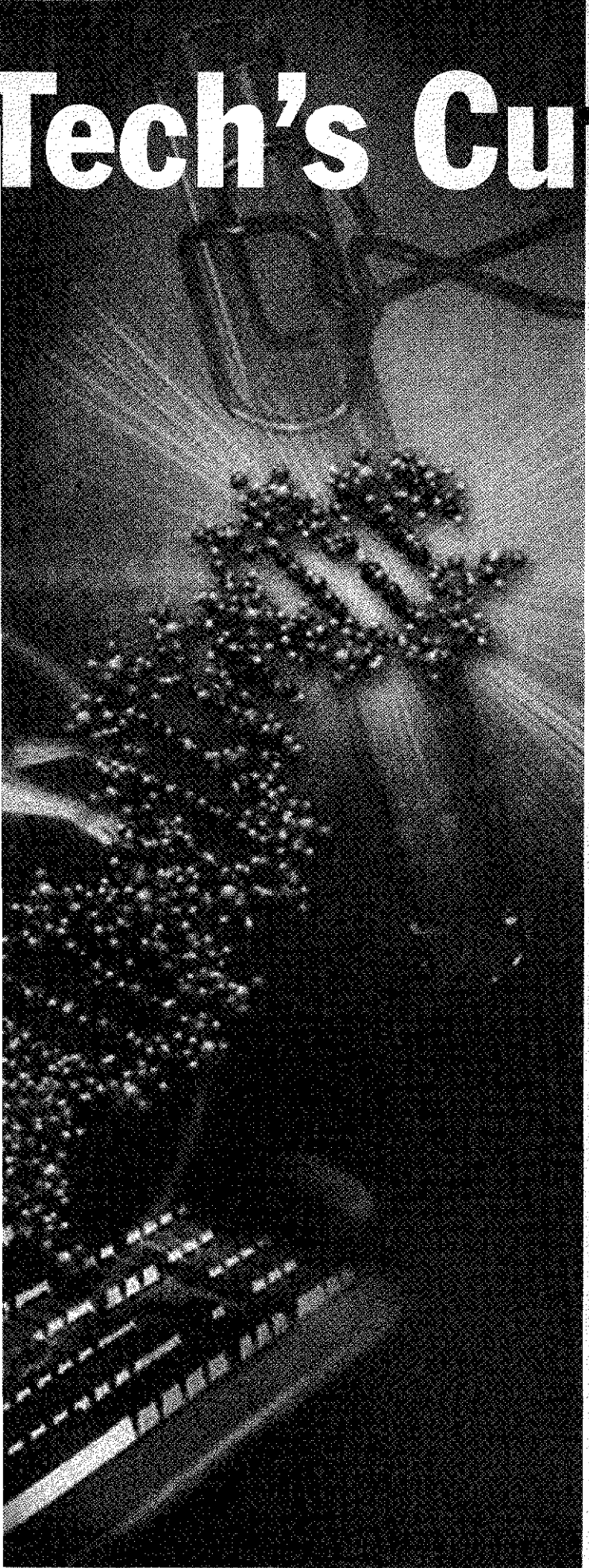
Tech's Cutting Edge



class information technology companies as Google, Yahoo, Cisco and Sun have their roots in Berkeley or Stanford university research. And a full quarter of all publicly traded biotechnology firms in the U.S. can be found within 35 miles of a University of California (UC) campus.

Yet today, California's dominance in knowledge-intensive industries is under threat on two fronts. The first is the general decline of the state's infrastructure and quality of life. For example, lack of sufficient generating capacity leaves the state beset by extraordinarily high electricity prices and at significant risk of a second power crisis. Lack of affordable housing (especially in hot real estate markets such as the Bay Area) makes it difficult for businesses to attract new workers. The large numbers of high school dropouts and low rates of college completion, particularly among California's rapidly growing Hispanic population, are troubling indicators for our future workforce.

The second threat to California's leadership in high technology is more direct and immediate. At a time of growing competition from other states and countries, California has been scaling back its investments in higher education and high-tech economic development. For example, California has cut funding and raised fees at its state universities for four straight years, making it difficult

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for the University of California to compete for the best students both in the U.S. and abroad. It has also failed to come through with promised funding for such important endeavors as the California Institutes for Science and Innovation, and has lacked aggressiveness in attracting national research initiatives, such as the semiconductor industry's proposed Nanoelectronics Research Initiative.

Because of these and other shortfalls, California's high-tech business leaders are increasingly concerned about the state's long-term competitiveness, particularly with the emergence of China and India as global competitors. Intel's chief technology officer, Pat Gelsinger, warns: "Perhaps the current downsizing of the U.S. [information technology] industry is not a temporary thing. Maybe we are headed for becoming a second-class citizen in the world of IT."

Ray Bingham, CEO of Cadence Design Systems in San Jose, is concerned that as a result of China's decision to train more electrical engineers, "the semiconductor design of the future will take place there. If we continue not to invest in ourselves, we're in trouble."

The private sector alone cannot turn these trends around. That is because knowledge-intensive industries depend critically on government-funded research that is too long term and high risk to attract private investors. The birth of today's Internet, for example, did not come from private capital; it came from government-funded scientists, many of them working at UC campuses. UCLA was the first "node" on the ARPANET (the predecessor to today's Internet). Similarly, Berkeley scientists developed a version of UNIX that helped disseminate the basic protocols of the Internet. Even development of technologies that have near-term commercial application often rely on the quality of the state's universities. For example, it was two professors at the University of California at San Diego, Irwin Jacobs and Andrew Viterbi, who founded San Diego's Qualcomm, which is today a $5 billion wireless company.

What should be done? California has recently taken some steps in the right direction. The recent ballot vote establishing the California Institute for Regenerative Medicine will help secure the state's leadership in stem cell research. Another positive development is the compact reached in May 2004 between Governor Arnold Schwarzenegger, California State University Chancellor Charles B. Reed and UC President Robert C. Dynes. After years of retrenchment, the compact guarantees long-term growth in general revenue support for higher education.

More can and should be done, however. In an era of tight fiscal constraints, it's important that scarce tax dollars be used in ways that offer the highest possible returns to the state's economy. Accordingly, funding priority should go to areas of research that are likely to lead to industries of the future, such as bioengineering, information technology, clean energy and nanotechnology. The Pete Wilson Administration provided a model for such targeting of resources in 1998, when it directed additional funds to UC for hiring engineering faculty.

We also should also look for creative ways to leverage taxpayer investments with additional contributions from industry and philanthropists. For example, state government and university officials need to put more effort into recruiting help from successful entrepreneurs who have benefited from previous waves of taxpayer-financed innovation. Such entrepreneurs could assist with endowments that would help fund faculty "start-up" packages, which often exceed $1 million even for junior faculty. These packages allow faculty to launch their research programs by renovating lab space, purchasing equipment and getting the preliminary research results that are often needed to successfully compete for federal grants.

The state also needs to direct more resources to the California Institutes for Science and Innovation. Located on UC campuses, the institutes bring together researchers from a variety of disciplines to tackle some of the toughest challenges in information and communications technology, biomedical research and nanotechnology. For example, the Berkeley-led Center for Information Technology Research in the Interest of Society (CITRIS) has led the development of "smart dust" — tiny slivers of silicon that combine computing, wireless communications and sensing. This could fuel the next wave of innovation in IT. For example, wireless sensor networks can be used to improve the energy efficiency of buildings by 40 percent by inexpensively monitoring temperature, light, humidity and room occupancy. Although it was originally envisioned that the state would provide $10 million per year in operational support for each institute, this funding never materialized. Given UC's agreement to match state funding two-for-one with outside financing from industry, federal grants and private contribu-

A failure to fund higher education, science and technology, however, is a failure to fund our future.

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tions, this is an extremely costly "cut" in the state budget.

California also needs to be far more aggressive about courting new national research initiatives. Texas and New York, for example, are both being more vigorous than California in pursuing the semiconductor industry's proposed Nanoelectronics Research Initiative, which will rely heavily on federal and state funding. This program will address the biggest, long-term challenge facing the semiconductor industry. Throughout its history, the industry has been able to roughly double computer processing speeds every 12 to 18 months, thereby insuring strong demand for the latest information technology. But limits imposed by the laws of physics will soon dramatically lower that pace of progress unless a fundamentally new approach to chip design and manufacturing is found. The initiative will increase funding for university research in speculative technologies such as molecular electronics and quantum computing. If successful, the economic and societal consequences would be staggering. A quantum computer, for example, could solve certain classes of problems in 30 seconds that would take a conventional supercomputer 10 billion years.

A powerhouse at risk

Today, new combinations of bio-, info- and nano-technologies are emerging, and unless California is at the center of these new developments, it could quickly lose its position as a technological powerhouse. Not only are these three technologies important in their own right, in combination they can rapidly accelerate scientific progress.

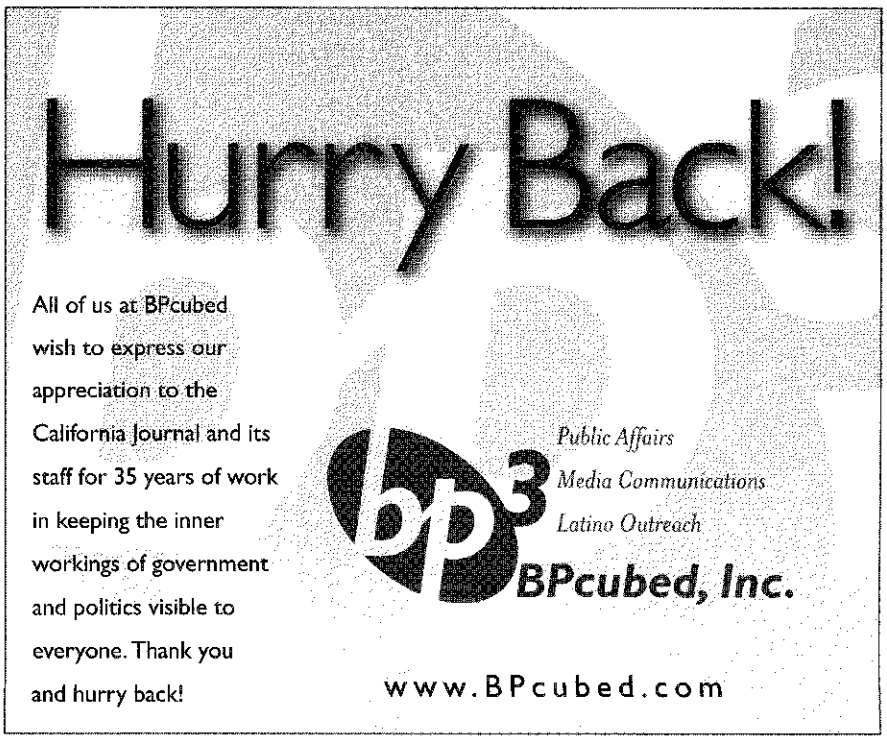
Meanwhile, the push to unravel the mystery of "protein folding" is advancing state-of-the-art super-computing. Nanotechnology may lead to smart anticancer therapeutics that recognize cancer cells, diagnose cancer causes, deliver drugs only to diseased cells, and report on tumor location and cancer cell death. Nanotechnologists, in turn, are inspired and guided by molecular biologists, who provide insights into how nature assembles complex structures from individual molecules. Recognizing the Bay Area's unique capabilities in all three of these technologies, nonprofit community organizations such as Joint Venture: Silicon Valley Network are seeking to make such convergence of technology the basis of the region's future growth. For example, regional economic development organizations could help create a network of specialized tools that are too expensive for high-tech start-ups to afford. These efforts, and efforts like it throughout California, deserve state support.

Though it might seem that state funding for basic research and development competes with other social needs, the opposite is often true in the long run. Advanced technologies may not only help generate new industries, they may help solve basic infrastructure and quality-of-life issues threatening the state's long-term fiscal and economic health. For example, development of nanotechnology-based photovoltaic cells that are competitive with fossil fuels would not only reduce the threat of global warming and lower the nation's dependence on oil imports but could also solve California's unique disadvantages in power supply.

Similarly, other technologies under development at California's research labs could, in the long run, ease burdens on the state's infrastructure and ameliorate expensive social and economic challenges. These include software to teach English that could be as effective as a one-on-one tutor and as engaging as the best video game, as well as intelligent transportation systems that reduce traffic congestion, which currently costs Californians $15 billion a year in lost wages. To help bring such emerging technologies to market faster, the state should promise to become a "first customer" when such technologies emerge from the lab. The state should also consider sponsoring prizes (similar to the Ansari X PRIZE that has helped spur commercial space travel) to those who are first to bring important new technologies to market.

Clearly, the state budget crisis makes it difficult to find the resources for any new investments. A failure to fund higher education, science and technology, however, is a failure to fund our future.

The views expressed here are solely those of the author and do not necessarily reflect those of UC Berkeley. Send comments to **comments@californiajournal.org**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All of us at BPcubed wish to express our appreciation to the California Journal and its staff for 35 years of work in keeping the inner workings of government and politics visible to everyone. Thank you and hurry back!
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people changes

Appointees:

He's baaack!

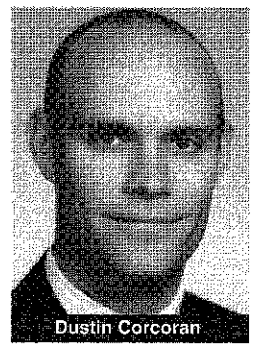
Chon Gutierrez, the ever-ready bunny of state government, recently returned to the State Lottery as interim director ($123,200). Gutierrez previously was State Lottery director from 1986-91. Since Gov. Arnold Schwarzenegger's election, Gutierrez has been the governor's fix-it man, serving as co-director of the California Performance Review and as interim director of the Dept. of Motor Vehicles. He stepped down from DMV after the governor named a permanent director, **Joan Borucki,** former chief deputy director of CalTrans and a CA Performance Review team leader.

Administration

The governor appointed **Marian Bergeson,** former Orange County legislator and education secretary under former Gov. Pete Wilson, to the CA. Transportation Commission, a $100-per-diem post.

Legislature

Incoming Senate Pres. Pro Tem **Don Perata** (D-Oakland) named the following Democratic senators as committee chairs: **Carole Migden** (D-San Francisco) will chair Appropriations; **Jack Scott** (D-Altadena) will chair Education; **Martha Escutia** (D-Norwalk) will chair Energy, Utilities and Communications; **Tom Torlakson** (D-Antioch) will chair Housing and Transportation; **Sheila Kuehl** (D-Los Angeles) will chair Natural Resources and Water; **Alan Lowenthal** (D-Long Beach) will chair Environmental Quality; **Deborah Ortiz** (D-Sacramento) will chair Health; **Joe Dunn** (D-Garden Grove) will chair Judiciary; **Elaine Alquist** (D-San Jose) will chair Public Safety; **Mike Machado** (D-Linden) will chair Revenue & Taxation. ... Perata also tapped **Jackie Speier** (D-San Francisco) as Asst. Pres. pro Tem and chair of Banking, Finance and Insurance. ... Assm. Speaker **Fabian Nunez** (D-Los Angeles) named his Assembly leadership team: **Leland Yee** (D-San Francisco) as Speaker pro Tem; **Dario Frommer** (D-Glendale) as Majority Floor Leader and **Mark Ridley-Thomas** (D-Los Angeles) as Democratic Caucus Chair. Nunez's committee chairs are: **John Laird** (D-Santa Cruz) on Budget; **Judy Chu** on Appropriations; **Betty Karnette** (D-Long Beach) on Rules. Nunez also named **Matt Reilly** to head the Speaker's Office of Member Services (SOMS). Reilly was senior counselor to Assm. Frommer and former chief of staff to Assm. Patricia Wiggins (D-Santa Rosa). ... Former SOMS communications senior consultant **Richard Zeiger** left Nunez's shop to become chief of staff for Sen. Gloria Romero (D-Los Angeles). Zeiger replaces **Cary Rudman,** who moved to Perata's office as legal counsel. ... The new press secty. for Sen. Deborah Ortiz (D-Sacramento) is **Hallye Jordan,** formerly with state Atty. General Bill Lockyer. ... **Janelle Beland,** former legislative director for Assm. Cindy Montanez (D-San Fernando), takes the same job for newly elected Assm. Mike Gordon (D-Torrance). ... **Alison Harvey,** former chief of staff to outgoing Sen. Pres. pro Tem John Burton (D-San Francisco), will head the CA Tribal Business Alliance, a trade association of gaming tribes. ... Termed-out Assm. **Ken Maddox** (R-Garden Grove) opened his own public affairs firm, Maddox Government Relations.


Dustin Corcoran

Other

The CA Medical Assn. announced a number of recent hires, including **Dustin Corcoran,** promoted to VP of government relations, replacing the late Steve Thompson. CMA also named three new associate directors: **Syrus Devers,** former consultant with Sen. Sheila Kuehl (D-Santa Monica); **Brett Michelin,** former chief of staff for Sen. Sam Aanestad (R-Grass Valley); and **Lisa Folberg,** senior fiscal/policy analyst at the Legislative Analyst's Office (LAO). ... **Marc Burgat,** former president of Strategic Communications and Advocacy in Sacramento, becomes chief legislative representative for the City of Los Angeles, replacing **Anne Blue,** who's joining the lobbying firm of Emanuels, Jones and Associates. ... Randle Communications has hired **Tiffany Moffatt,** former press secty. to Assm. GOP Leader Kevin McCarthy, as media relations manager, and **Beth Pendexter,** press secty. for several GOP campaigns, as senior account executive. ... **Hank Shaw,** an investigative reporter with the *St. Paul Pioneer Press,* is Capitol bureau chief for the *Stockton Record,* replacing **Will Schuck,** who became press secretary for Assm. Patty Berg (D-Eureka).

These pages are prepared with help from ***"The Capitol Morning Report,"*** *a comprehensive daily e-mail and fax listing of events, appointments, staff changes, lobbyist registrations and fund raisers in and around Sacramento. For more information, call (916) 443-5883.*

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Say it ain't so, CJ!

Heard about the failure of your heroic efforts to save the *California Journal*. This is really bad news for Californians and for the rest of us who have depended on it. I hope it can be revived in some format.

Dave Broder
***Washington Post* political columnist**

The *California Journal* was spawned by legislative staffers fresh from the golden era of the California Legislature. Recognized across the country for being the most effective and modern Legislature, the Capitol's mood was full of optimism and can-do spirit. That was and has remained true of the *California Journal*. No issue was too tough to tackle, and there was always room for healthy debate. It is almost a tragic correlation that the decline in the reputation of the California Legislature has corresponded with the difficult time for the magazine that covered it.

Sal Russo
Russo Marsh + Rogers, Inc.
Sacramento

Can you raise the subscription cost? Accept donations? Something, anything, to keep publishing this invaluable resource on California politics?

Jodi Balma
Assistant Professor
Fullerton College

It's a damn shame such a thoughtful publication is folding. Hope the announcement of *CJ*'s demise shakes loose some funding.

Gene Gibbons
Executive Editor, Stateline.org
Washington, D.C.

I am so sorry. All of us feel this is like a death in the family. No magazine folks want to see another magazine go down. Don't give up. You've done a great job for all these years.

Peggy Boyer Long
Editor, *Illinois Issues*
University of Illinois at Springfield

I'm very sad to hear the news. *California Journal* is an essential component for comprehensive Capitol coverage. I remain hopeful you'll be able to find some big benefactors!

Mike Luery
Perry Communications Group
Sacramento

I was crushed to hear that your fine magazine would cease publication after January. I look forward to reading each issue, refer back to previous articles, and rely on your reporters' opinions. I am often impressed with their ability to investigate the complexities of an issue without deviating into bias. Please find the necessary funding to keep the *California Journal* in my mailbox.

Chelsea Shure
Los Angeles

I'm very saddened, both for you and your audience. *California Journal* is the historic Bible of California's political scene and its presence will be greatly missed. I hope that a revival is in its future.

Tracy Campbell
Campbell Consulting
Sacramento

What a shame. *California Journal* did indeed have a great run and in the future people will come back to a balanced presentation [of political news].

Tobe Plough
Santa Barbara

California Journal was one of the few publications in the state that encouraged writers to examine important public policy issues in depth. It will be sorely missed. Its passage marks a sad day for journalism in California.

William Kelly
Editor, *Southland Reports*
South Pasadena

Back in September, I read that *CJ* was changing hands and funding was tight. ... [I recently received] an e-mail stating that you were no longer taking new subscribers and, horror of horrors, were ceasing publication after January!

I've read your publication since I was an undergraduate at UCSD in 1989. ... In order for voting to work, one must be educated on the issues. *CJ* is the *only* place I've ever found that's fair. As a Republican (even a progressive one), I've often found what you've presented to be a bitter pill to swallow, but that is often the case with the truth.

I am writing an appeal to my Congressman (David Dreier), my Assemblyman (Dennis Mountjoy) and my state Senator (Bob Margett) to save your publication as an important institution of our state government.

Please let me know if there is any effort I can make to help save your magazine.

Kurt Wilson
Glendora

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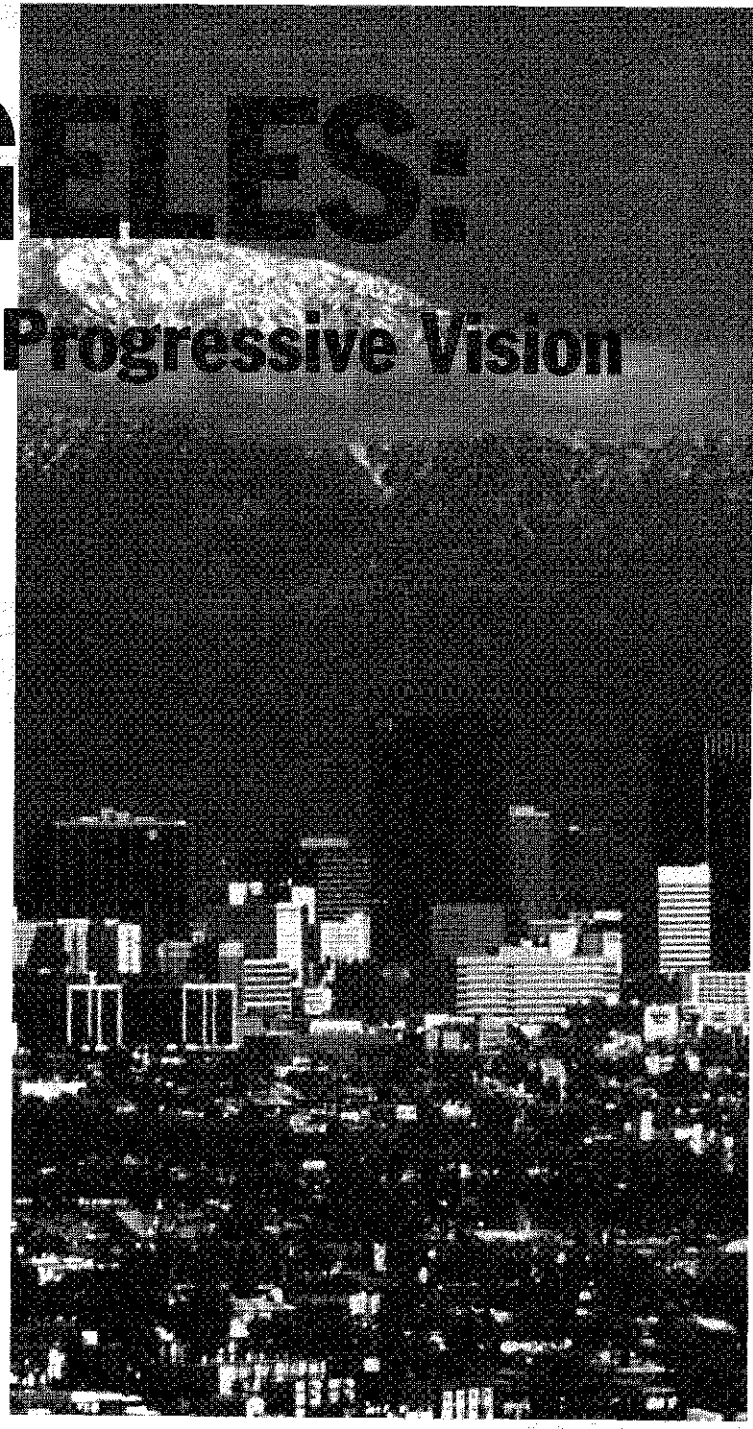
LOS ANGELES:

The Need for a New Progressive Vision



By Joel Kotkin

Joel Kotkin is an Irvine Senior Fellow with the New America Foundation. He is the author of *"The City: A Global History"*, to be published by Modern Library in April. He can be reached at kotkin@newamerica.net

California may be the nation's super-state, but Los Angeles ranks as the dominant metropolis of the western United States, and only the second western city among the world's 10 largest. In some senses, its importance on the global stage, and within the context of the United States, surpasses that of the entire state of California.

Yet amid the intense global competition among cities, and within California itself, Los Angeles faces the prospect of a long, continuing decline. As a mega-city, Los Angeles enjoys many critical advantages — a large and expanding diverse population, infrastructural links with both Mexico and the Pacific, and numerous world-class cultural assets — but it also suffers from many of the problems associated with all giant urban areas.

More troubling still, the region appears ill-equipped to deal with these urban problems, ranging from an overstressed infrastructure to a growing gap between rich and poor, often dysfunctional educational and political systems and soaring housing costs. The region is increasingly challenged in its competition against other cities — from fast-rising Phoenix and Houston to the great Asian capitals — in the battle for investment, jobs and economic resources.

The expected addition of another 6 million people over the next 20 years will place new strains on the region's resources and its ability to create sufficient jobs. Yet for the most part, greater Los Angeles — particularly its core of 10 million people in Los Angeles County — seems to be shifting away from its historic focus on wealth-creating investments in infrastructure, economic growth and support for an expanding middle class.

These elements were critical to the area's rapid rise in the first 90 years of the 20th century, including the development of the Port of Los Angeles, the red car transportation system, the freeways, the water and power systems and the community colleges, among others. These not only positioned Los Angeles for rapid growth but also enabled it to expand a large and thriving middle class.

Such an approach was characteristic not only of the Republican progressives, but also business-minded conservatives and the labor-liberal alliance, which gained increasing influence. Under the administration of Mayor Tom Bradley, the city invested heavily in its downtown core, its port and airport. It also took the first, if often poorly conceived, steps toward redeveloping a mass transit system.

The decade of the 1990s saw a dramatic shift in this perspective. Politicians and community groups successfully challenged the premise of the region's "growth machine" and the growth ethos that had driven the city since the early 1900s. By the 1990s, new regulations and rising home prices made Los Angeles the seventh most-expensive city of 100 communities in America for business.

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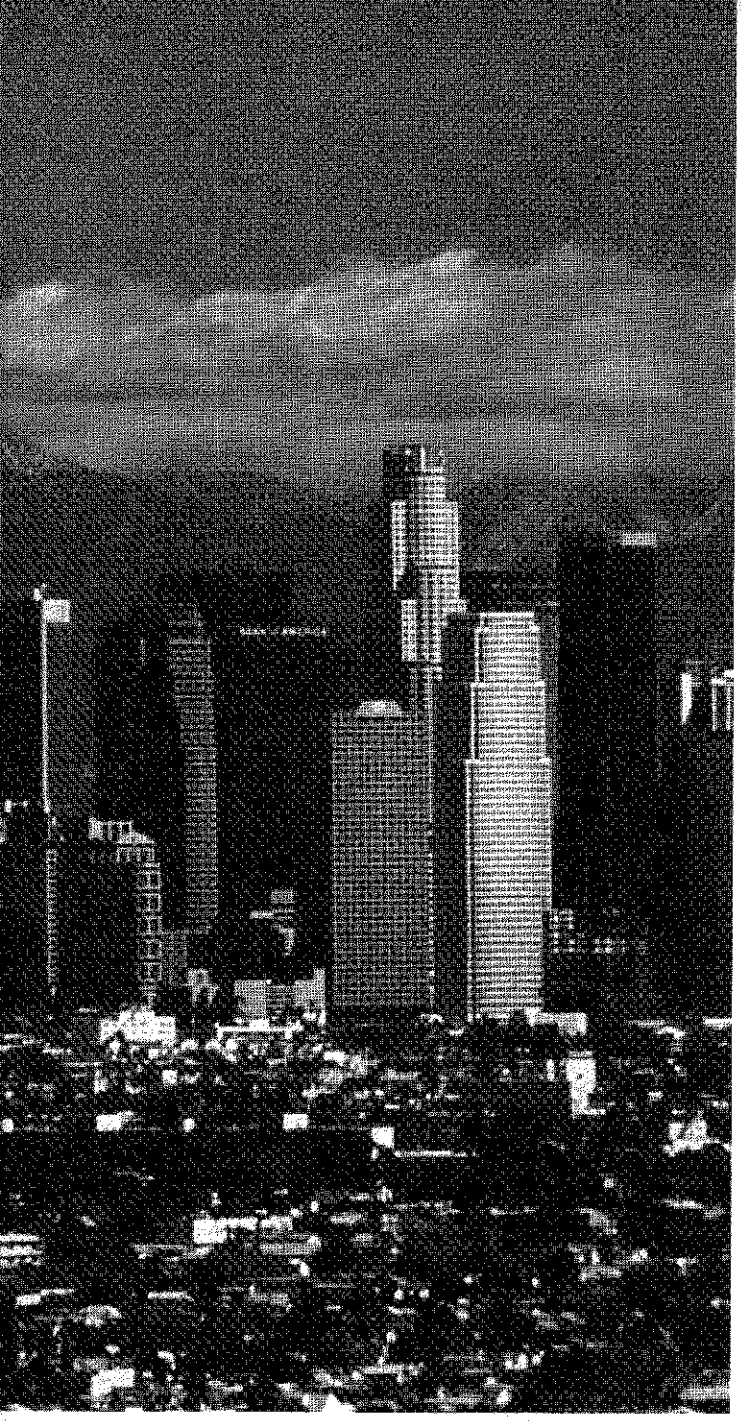

Following the disastrous economic collapse in the early 1990s, in which L.A. County accounted for some 70 percent of the state's total job losses, there occurred an accelerated shift of business out of the city's core areas. A good part of those losses — particularly the downsizing of military spending in the area — grew out of decisions made at the Pentagon, some as a result of the end of the Cold War and some due to the siphoning of business to other states, notably Texas and Georgia, with greater pull in George H.W. Bush's Washington.

But many of the businesses that left the area had little or nothing to do with defense. Those losses were further deepened by a series of devastating social and natural disasters. A riot in 1993 resulted in 59 deaths, destroyed 4,000 businesses, led to 15,000 arrests and caused $370 million worth of damage, mostly in heavily Latino or African-American communities. Subsequently, fires and a major earthquake struck greater Los Angeles. Local confidence fell. Neighboring areas like Phoenix were quick to portray Los Angeles as a "simmering stew of despair," a hopelessly divided city from which most of the middle class was desperately trying to escape.

Reacting to the region's loss of confidence, large public firms relocated to places like Houston, Atlanta, Philadelphia, San Francisco, Minneapolis and even hard-pressed St. Louis. Between 1968 and 1998, the number of *Fortune 500* firms in greater Los Angeles fell from 12 to seven. From 1991 to 1996, the number of commercial banks based in Los Angeles County dropped from 130 to 100 and financial-institution employment declined from nearly 100,000 to fewer than 70,000. Such trends prompted the *Los Angeles Business Journal* to warn that Southern California was becoming "the largest repository of subsidiaries in the world."

The once-powerful business community — particularly institutions like the L.A. Chamber of Commerce — lost considerable influence. Equally important, losses in private sector unions, such as aerospace and construction, shifted the balance of power away from growth-oriented, more middle-class workers to increasingly radicalized public sector employees. The old business-labor coalition, so critical in the Bradley years, collapsed.

As a result, despite the eight-year mayoral reign of businessman Richard Riordan, the new political economy in Los Angeles has become increasingly dominated by a new kind of "progressivism," one that stresses remedial and redistribution as opposed to growth-oriented policies. Riordan could mitigate the effects of some of these policies, but he could not stop them, much less redirect the city's policies in a radically new direction.

This new approach to progressivism can be seen in the adoption of such policies as "living wage" ordinances, the push of "inclusionary zoning" and government-centered policies to increase housing. Such policies tend to benefit only small, select groups of people, usually not the critical middle class. They may make the politically correct classes feel better about themselves, but they do not address the fundamental issues that can spur increased private investment and job creation. At worst, they can serve to discourage private investors by further raising the cost of doing business in Los Angeles.

Perhaps even more important, this remedial approach to economic empowerment was not accompanied by a firm commitment to fixing tired infrastructure, whether it is transportation, the heavily burdened port system or the full-scale reform of a largely dysfunctional education system. It also accelerated the already large gap between the cost of government in Los Angeles and that of surrounding cities.

Needed: Policies to expand the middle class

Buffeted by the perception of anti-business policies, the area produced not only less jobs, but also enjoyed a far less robust expansion in higher-paying positions than its

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immediate competitors in Orange, San Bernardino, Riverside and Ventura counties. Even within Los Angeles County, much of the positive job creation took place in more peripheral areas, such as San Gabriel and San Fernando valleys, regions outside the jurisdiction of the city of Los Angeles.

As a result, Los Angeles — particularly the core city — became ever more bifurcated between a large and expanding lower class and a relatively small, but highly affluent, overclass. These conditions were further exacerbated by an increasingly ambivalent attitude among local leadership about economic growth. In many instances, concerns about the environment or social justice gained priority over sustaining job growth and business creation.

Today, many in the regional policy-making community no longer perceive the fundamental connection between fostering economic growth and enhancing the social well-being of the citizenry. They seem utterly indifferent to the notion that in an economic expansion, such as occurred in the late 1990s, it is the poorest workers who enjoy the largest gains.

There is, in fact, a clear relationship between sustained economic growth and widespread upward mobility. In the early 1990s' recession, the gap between the poorest workers and the more affluent grew and the statewide poverty rate rose from 13 to 17 percent. During the subsequent recovery, the gap narrowed and poverty rates fell back to the 13 percent level despite continued, heavy immigration from poorer countries. As blue-collar manufacturing and middle-tier service jobs expanded, the percentage of workers in the middle-income range surged.

Instead of focusing on ways to accelerate economic growth as a means of creating upward mobility, Los Angeles' "progressive policy makers" opted for a regime emphasizing the use of laws and regulations to mandate social outcomes. To make real social progress, Los Angeles must redefine progressivism away from this remedial approach and towards one that stresses building a stronger, broad-based economy. In a global economy, businesses cannot be expected to expand in a community whose leadership remains fundamentally indifferent, if not actively resistant, to their endeavors.

Looking backward to go forward

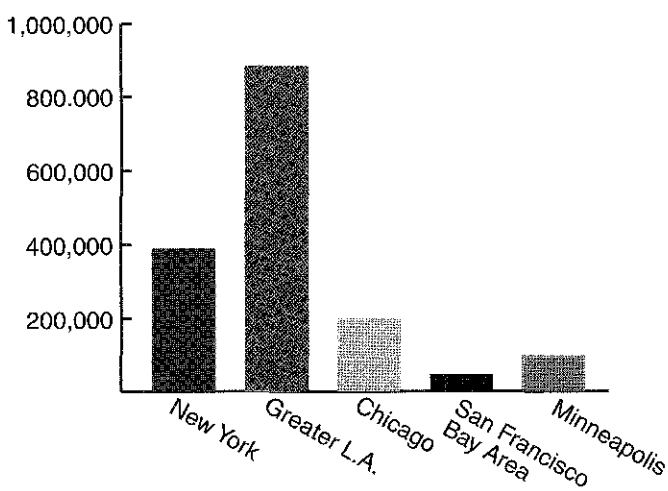
Los Angeles must reclaim its historic commitment to economic growth and job creation as the single-most effective way to lift people from poverty and achieve upward mobility. This, in turn, means rededicating Los Angeles to what remains the most important role of any great metropolis: creating and nurturing a middle class.

Some inspiration for a future direction can be drawn from the region's progressive past, particularly in terms of the massive investment in public infrastructure and education. This public agenda was focused on a commitment to help business, particularly small and medium-sized firms. Efficient government — particularly in contrast to the wildly inefficient and often corrupt government found in eastern cities — was a major boon to business people coming to the region.

This approach, combining strong public investment with pro-business policies, makes even more sense today. Increasingly, Los Angeles is dominated by smaller, diverse, "no name" companies. Among the nation's 10 largest metropolitan areas, Los Angeles ranked first in the percentage of people working in firms with fewer than 100 employees and annual sales under $5 million. Roughly one-third of these companies were owned and directed by minority, or immigrant, business people.

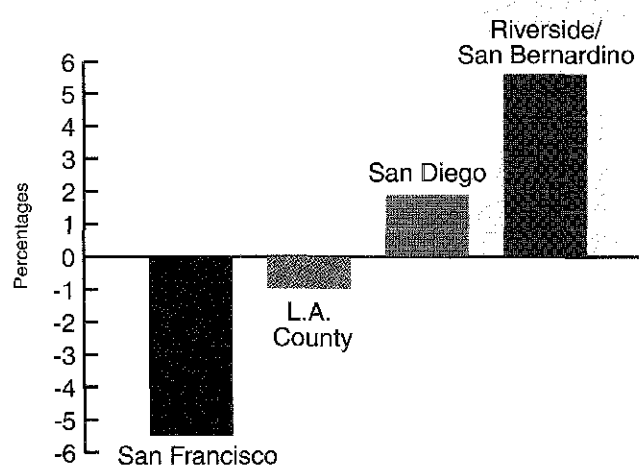
These firms depend more on public investment, such as schools or transportion, than larger companies that can defray some of these costs internally or ship critical facilities elsewhere. What these firms need is not pure anti-tax

METRO POPULATION GROWTH
(2000-2003)



Source: Demographia.com

JOB GROWTH COMPARISONS
MARCH 2001-2004



Graph shows nonfarm job growth by major regions
Source: Economist David Friedman, Ph.D, 2004

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conservatism but a political regime that focuses on an expanding economy. In this way, the region can create a "virtuous circle" where greater wealth creation allows for the provision of more government funds to finance infrastructure that promotes further expansion, growth and jobs.

Some of the major directions that Los Angeles needs to follow include:

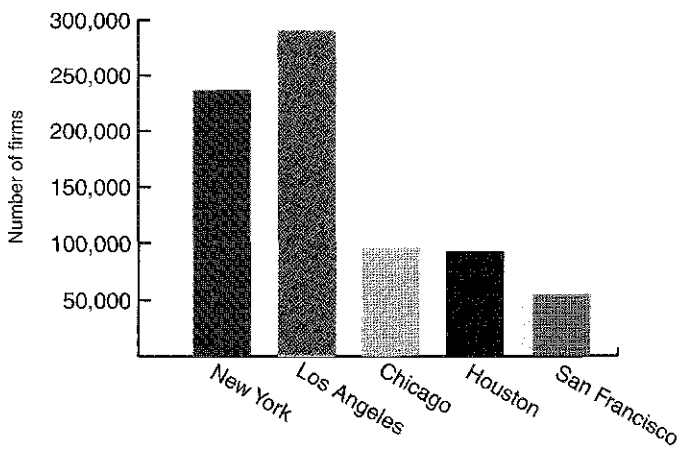
• A focus on infrastructure investment at the ports of Los Angeles and Long Beach. These provide upwards of 15 to 20 percent of regional employment, including jobs in services, manufacturing and warehousing. Under current conditions and workforce rules, the port is hopelessly crowded and shippers seem increasingly likely to look for alternative destinations.

• Following the painful cutbacks of the last decade, increased anti-terrorism and wartime spending are beginning to boost high-wage defense employment in Los Angeles. But the region's lack of trained, younger workers, its traffic congestion, and its largely indifferent government, including within its congressional delegation, are holding back the gains Los Angeles could reap from this development. Local government must do more to attract and train younger workers, and to correct other problems that pose a major competitive disadvantage.

• Many parts of Southern California — such as the critical, middle-class bastion of the San Fernando Valley — suffer a declining perception about quality of life. Development of new parks, such as those around the Los Angeles River, and the construction of mixed-use "urban villages" that can serve as local centers of art, business and community life could restore the sense that L.A. is a desirable place to live.

• Lack of housing is driving the upwardly mobile population, particularly young families, out of the region and, in some cases, to other states. New aggressive policies are needed to encourage home building, cut legal and regulatory burdens and foster the creation of dense "in-fill" housing in appropriate places.

MINORITY-OWNED BUSINESSES IN KEY U.S. CITIES



Source: 1997 U.S. Economic Census; Survey of Minority-Owned Business Enterprises

Winning the future

"Every city," Plato wrote in the 4th century B.C., "is in a natural state of war with every other, not indeed proclaimed by heralds, but everlasting." Plato's prescient observation is today more true than ever. All debate about growth and political governance must recognize that there are hundreds of other communities competing for the economic resources Los Angeles so crucially requires.

Today, Los Angeles is in danger of losing this competition. Its ability to sustain key sectors, such as entertainment, business services, aerospace and diversified manufacturing, is constantly being undermined by national and global forces and by the anti-growth, anti-business attitudes of its political, media and academic elites.

Still, the region's young, diverse and growing population, its concentration of unique education institutions, massive port infrastructure and unparalleled natural endowments make it an attractive place to live. Those attributes offer the promise of renewed economic development. The time has come to realize that it will be impossible for greater Los Angeles to enhance its global position and improve social conditions without growing its economy.

To realize this goal, the public and private sector must jointly recommit to foster economic growth. Employers need motivated and skilled workers who can afford to live reasonably near where they work. Schools need tax dollars to expand and improve their services to children. Employers must be treated cordially and with encouraging attitudes from local public agencies. Regulatory and political bullying and excessive delays must be minimized. And, most particularly, Los Angeles must redirect its regulatory and investment priorities towards quality, middle-tier employment in such sectors as construction, freight handling and manufacturing, as well as the creative arts or other white-collar pursuits.

More than a half century ago, the great progressive journalist Carey McWilliams wrote that Los Angeles, despite its many imperfections and bizarre collections of "migratory creatures," was unique because a visitor could "somehow feel, and sense and see" that the future was being made within its borders. It was in Southern California, McWilliams predicted, that "America will build its great city on the Pacific, the most fantastic in the world."

We are, today, part of the way towards fulfilling that vision. Yet, in many respects, Los Angeles also lags far behind where it should be as an economy and a society given its resources and aspirations. To reclaim the future, the city requires a bold agenda that is again focused on the growth and wealth creation necessary to meet the needs of its 10 million citizens. For just as it was in McWilliams' time, the fate of our region ultimately depends on the health and vitality of its economy.

Send comments to **comments@californiajournal.org**

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MAKING THE GRADE

California's troubled public schools need hands-on principals, student-based funding and a governor willing to shake things up.

By Jennifer Nelson

Jennifer Nelson, a writer and *San Francisco Chronicle* columnist, previously worked in the administrations of governors George Deukmejian and Pete Wilson.

When Arnold Schwarzenegger was running for governor, he declared that new leadership would bring great benefits to California, including dramatic improvements to the state's public school system. After his campaign education summit, Schwarzenegger said, "Our schools are falling apart, our students don't have the textbooks they deserve, and according to the U.S. Department of Education, 75 percent of our fourth and eighth graders are not proficient in reading and writing."

While many neighborhood schools perform well and receive strong support from parents and local communities, the state's public school system overall is still failing too many children. In 2002, California ranked in the bottom 10 states in a national fourth-grade reading exam. That same year, only a third of California students scored at or above the proficient level in a state English/language arts test.

In the nation's second-largest district — the Los Angeles Unified School District — conditions are worse. Fewer than 20 percent of students, in any grade, score at the proficient level in standardized English or math tests.

But it's not only student achievement that is troubling. Just look at the management problems many school districts in the state are experiencing.

In 2003, the state had to make a $100 million loan to the Oakland Unified School District and appoint a state administrator to take control of the 48,000-student school system. Since 1991, seven school districts have gone bankrupt. Last April, 57 districts filed reports with the state stating they may not be able to pay all of their bills in the next year or two.

Part of the problem is that education funding in California is a complicated, messy system shaped by special interest politics and voter initiatives.

Since Proposition 13 limited local property tax revenue in 1978, the state has been responsible for a much larger share of education funding and, along with it, the state has demanded a greater voice in school policy. In 1998, Proposition 98 guaranteed that schools receive a minimum level of funding and protection from cuts that have recently targeted other programs. In the current budget year, California public schools received a total of $58.9 billion from all sources, which translates to $9,811 per student.

Certainly, those schools and many other state programs would love to have

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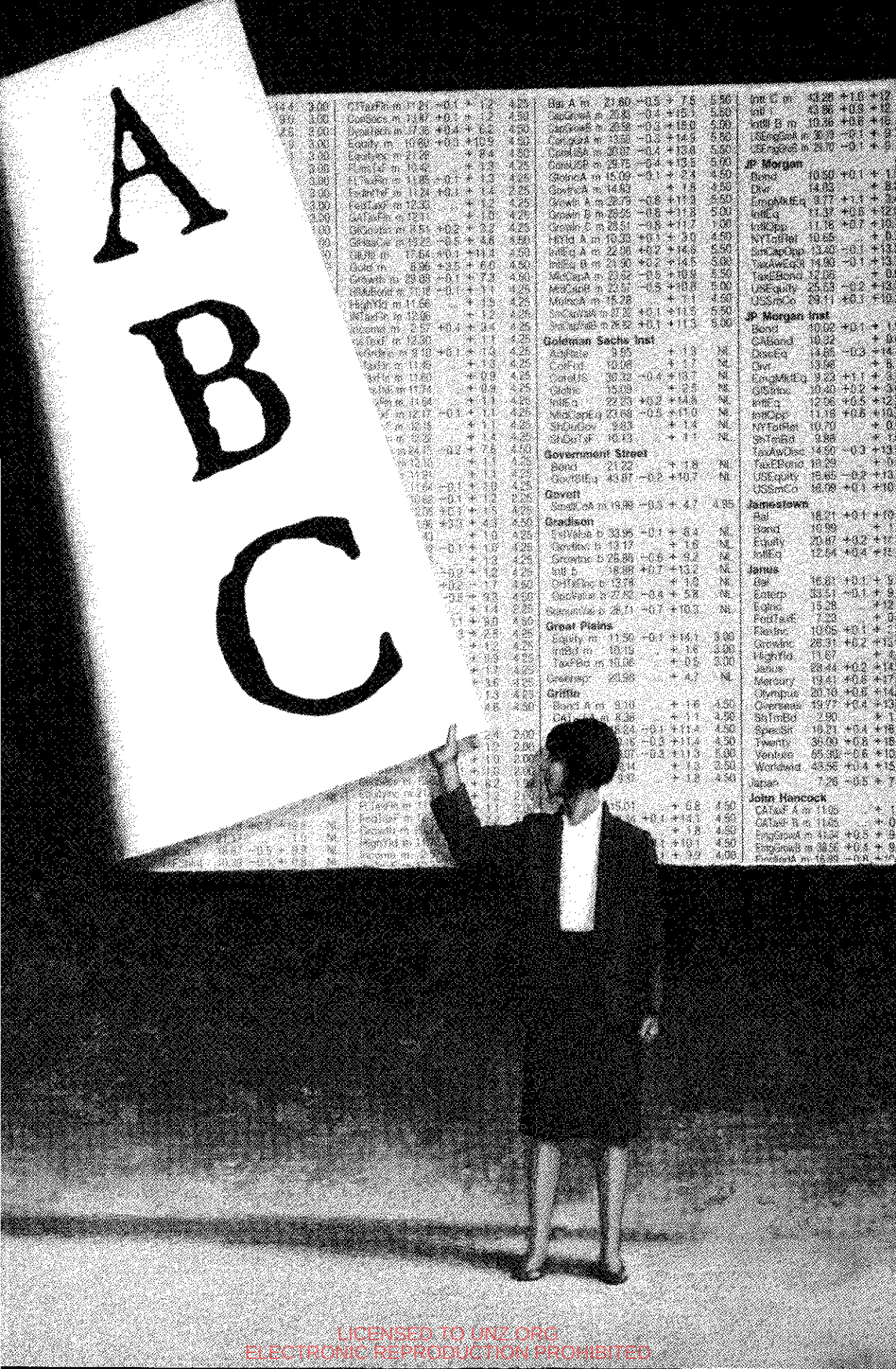

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more money. But funding is not the reason many public school kids aren't succeeding.

Frustrated by the number of students graduating without the necessary academic skills needed to get a job, the California State Board of Education updated learning standards in the late 1990s. In the following years, the state crafted tests to benchmark student progress in meeting those standards and put programs in place to reward schools and teachers that showed positive results.

But are schools being managed in a way that will help them achieve these results? In most public schools (some charter schools are the exception), principals do not have the authority and tools they need to ensure that their students can meet the new state standards. We've overhauled the teaching standards for our schools; now we need to overhaul the organizational structure so that principals and teachers can achieve their mission.

Give principals more authority

It is time to "reinvent" the job of a school principal. Principals should be held accountable for the success or failure of their school.

Principals are the CEOs of each school site and can work closely with the teachers to ensure student improvement and success. As the school's top manager, a school principal should be invested with far more authority over — and more responsibility for — teacher salaries and bonuses, as well as school budgets.

Once Schwarzenegger was sworn in as governor, he turned to his longtime friend and political ally, former Los Angeles Mayor Richard Riordan, to serve as his chief education advisor. Riordan has long championed the ideas of UCLA business professor William Ouchi, an expert in organization management.

As the author of "Making Schools Work," Ouchi advocates moving American schools to a decentralized management system relying on individual principals — not a massive bureaucratic hierarchy — to manage personnel and the site budget at their school. After researching 223 schools in six cities, Ouchi reported that "success came about when talented principals were given maximum control over their schools — including budget, hiring and educational programs — and held accountable for the results."

According to Ouchi, if given the flexibility and freedom to determine the direction of their schools, the most successful principals will act as entrepreneurs. He advocates moving those principals who fail under the supervision of successful principals, who assume responsibility for the failing schools.

There is one major obstacle to giving principals more power over their schools: the collective bargaining process. The Association of California School Administrators argues that no school management reform effort will be successful until the power of the state's teachers' union is addressed.

"Nobody in the school reform movement — Arnold Schwarzenegger, Richard Riordan, Bill Ouchi — addresses the 10,000-pound elephant in the middle of the room and that is collective bargaining," says Brett McFadden, a legislative advocate for public school administrators.

Teacher union officials say the collective bargaining process allows teachers to earn a professional salary and be protected from unfair treatment. It also gives "teachers respect and the flexibility to do their best work for their students," said Barbara E. Kerr, president of the California Teachers Association.

But McFadden says the teachers' union would like to have nearly every detail in the operation of a school — even the starting time of the school day — subject to labor negotiations. Until state leaders deal with the stranglehold collective bargaining has on the public school system, McFadden said any other reform is basically "rearranging the chairs on the Titanic."

Tie funding to students, not staff

In addition to beefing up the responsibilities of principals, Ouchi and other education experts advocate significantly changing the way education money flows to the schools. According to the Association of California School Administrators, on average, 80 to 85 percent of a district's budget is dedicated to salary and benefits.

Education expenditures are also dictated by state legislators and bureaucrats through rules and regulations. In 2003-2004, categorical funds accounted for one-third of the total revenues allocated to K-12 education. (Some progress has been made on this front — in the 2004 legislative session, a bill was passed and signed into law which consolidated 26 categorical programs into six block grants).

A student-based budgeting approach (also known as a weighted student formula) would move away from the traditional staff-based budgeting. Each student would be allocated a base level of funding each year, with special needs students assigned an extra amount dependent on their learning needs. Supporters of the concept believe that this straightforward method of education financing would be more equitable and efficient than the current system.

Several districts in California have begun to experiment with this approach, partly driven by the pressure of litigation.

Public officials would be wise to study this concept closely, especially given the impending threat of lawsuits designed to ensure equitable funding for schools. Public interest groups and education organizations are applying pressure to state governments through the courts via "adequacy lawsuits."

McFadden said these lawsuits are gaining popularity as a way to force public officials to provide more money for implementing tougher standards and testing programs. In fact, adequacy lawsuits currently are pending in 24 states.

California settled an adequacy lawsuit during last year's legislative session. The lawsuit, which was filed by the ACLU and other organizations in 1999, claimed that the state was not providing underprivileged public school students with equal access to instructional materials, safe

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and decent school facilities, and qualified teachers. But state leaders shouldn't believe for a minute that the settlement is the last they will hear about adequacy lawsuits.

McFadden said his group and others are discussing the option of filing a new lawsuit in California after New York's highest court ruled last spring that a lack of state funds was the reason the city's schoolchildren weren't receiving a solid education and ordered the state to solve the money problem.

Voters don't want to see education policy and funding decisions handled through the courts. If these lawsuits are indeed the wave of the future, advocates of a part-time Legislature in California should be excited. Why would we need a full-time legislative body if major decisions relating to our schools and our taxes are being handled by the courts?

Will Schwarzenegger tackle school reform?

Next year should be a major year for the Schwarzenegger administration and its education agenda. Many people have wondered why Schwarzenegger and Riordan didn't make any major educational proposals in the governor's first year.

Schwarzenegger spent a good part of his first year learning the ropes and focused on the budget mess he inherited. He reached agreement with the California Teachers' Association and other education groups to suspend Proposition 98's spending requirements, so one can understand why he didn't propose any major policy changes that would have ticked off the teachers' union.

Schwarzenegger did sign legislation creating new education block grants, although the idea was in the works well before he arrived on the scene. Regardless, Schwarzenegger's Undersecretary for the Office of Child Development and Education, Hannah Skandera, says these new block grants were a "big first step" in the governor's education agenda.

Although Schwarzenegger and Riordan effectively were given a bye during his first year in office, this year Californians will be expecting an education agenda that fleshes out Schwarzenegger's priorities. Skandera says 2005 is going to be "a great year and an important year" for Schwarzenegger and his education agenda.

In September 2003, candidate Schwarzenegger declared, "Mediocrity is unacceptable. California was once known for its outstanding educational system. And with the correct leadership, it can be once again."

If kids truly are Schwarzenegger's priority, perhaps he will take on the education establishment and shake things up. Unless he's ready to challenge the special interests, though, it's likely the administration won't attempt any serious education reform effort.

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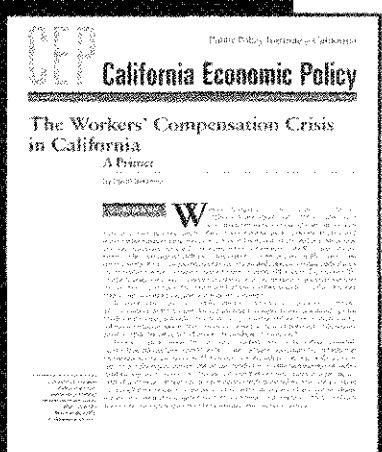

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THE LATINIZATION OF CALIFORNIA

It's no longer news to anyone that Californians are mixing across ethnic and racial lines like never before. Over the past generation, the social barriers to intermarriage have steadily eroded. Indeed, it has become commonplace for analysts and commentators to point to the state's racially and ethnically-mixed future. Within a few generations, so goes the refrain, the average Californian will be an ethnic amalgam with equal parts Asian, Latino, black and Anglo ancestries. Not only have we fashioned a politically correct, culturally neutral image of California's mixed future, but we have studiously ignored the role of Latin Catholic culture in all this mixing.

While we may have accepted mixture as a fact of life, Californians are still not at all clear what it means. Two years ago, businessman Ward Connerly sponsored an ill-fated ballot measure that sought to prohibit the state from collecting racial data except for medical and law enforcement purposes. He contended that the rising frequency of intermarriage had made the concept of race irrelevant.

While blurring racial and ethnic lines is now the norm in California, the state's Latin-Catholic roots offer a distinct understanding of how we view race.

More recently, the Board of Regents of the University of California rejected another Connerly proposal that would have added a "multiracial" box on student application forms. While Connerly argued that the proposed category would give students another option in defining themselves, critics complained that it would make it harder to identify and collect data on minorities. Furthermore, the university must comply with federal government guidelines that insist on boiling all Americans down to five categories — four racial and one ethnic.

So intent is the federal government on maintaining the legitimacy of the current racial system that the U.S. Census Bureau has proposed eliminating the "some other race" category from the 2010 decennial questionnaire. Largely driven by the increase in the Latino population, the 2000 census revealed that "some other race" had become the third-largest racial category in the nation. Ninety-seven percent of those who chose "other" as their race were Hispanic. It seems that Latinos are wreaking havoc on America's understanding of race. Indeed, nationwide, 42 percent of Latinos refused to categorize themselves as belonging to one of the four standard racial categories. In California, that percentage was as high as one in two.

If approved by Congress, the elimination of the "some other race" category would force a large percentage of Latinos, two-thirds of whom are

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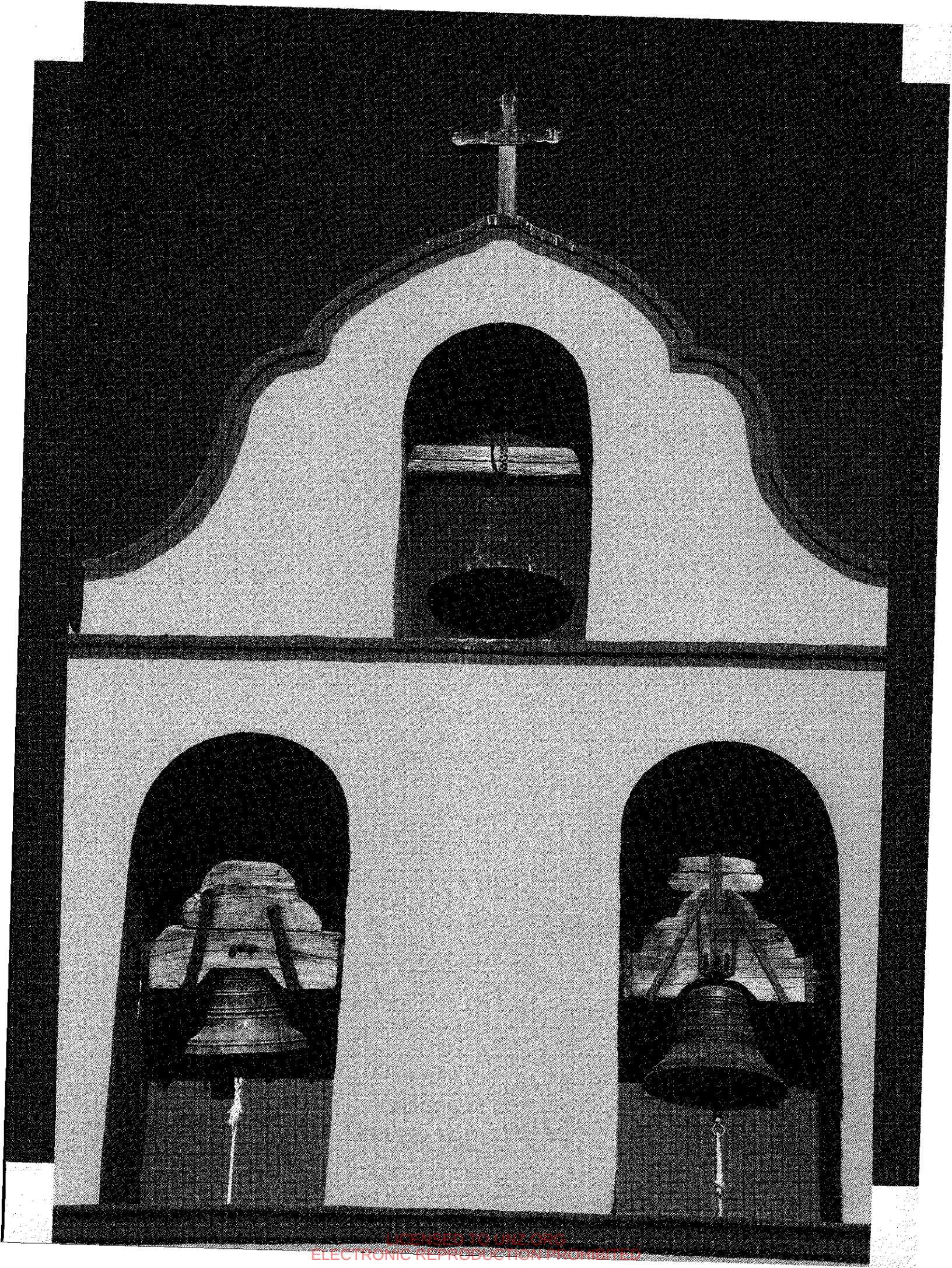

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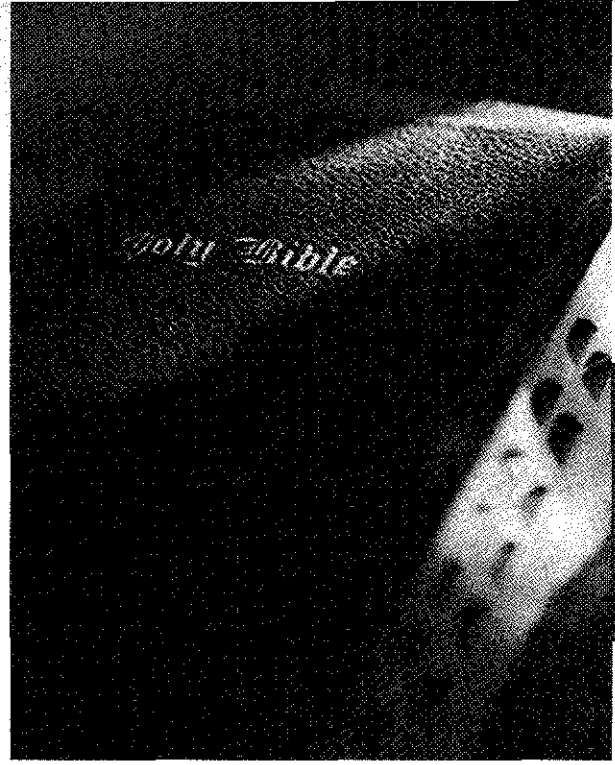

nomadic Indians hostile to Mexican settlements were considered "*indios*" by the Mexicans, those assimilated natives who spoke Spanish and lived largely according to Hispanic custom were considered Mexicans.

Like the French, the Spanish and the Mexicans also acknowledged racially-mixed, in-between identities. Furthermore, it was not uncommon for a racially mixed

One cannot properly understand the increase in cross-ethnic marriage in California without acknowledging the Latinization of the state.

of Mexican origin, to choose a racial label they evidently do not feel applies to them. The controversy is only the latest skirmish in the age-old battle between two racial systems: the Anglo Protestant and the Latin Catholic. Nowhere will the collision of these systems be more intense than in California.

In American history, the first battle between these two perspectives on race occurred in New Orleans after the Louisiana Purchase. Under French and Spanish rule, Louisiana had a three-part racial system consisting of whites, blacks and free people of color, who were racially mixed. But as Anglo Americans gradually solidified their legal and cultural control of the region, the system was pared down into two categories. Indeed, by 1892 Homer Plessy, who was seventh-eighths white, was arrested for sitting in a railroad car reserved for whites. Imposing a binary racial system required the obliteration of any in-between racial category, the denial of racial mixture, and the assertion of the primacy of racial purity. The legal battle over Plessy's arrest eventually reached the U.S. Supreme Court where, in an 1896 ruling in the seminal *Plessy v. Ferguson,* the court established the doctrine of "separate but equal."

A similar process occurred after the American conquest and annexation of the Southwest. Under Spanish and Mexican rule, racial categories were relatively fluid. While frontier Mexicans were not oblivious to race and tended to favor lighter-skinned individuals, skin color alone was not a major obstacle to social advancement. Mexicans tended to define people by culture and class in addition to race. While Anglo Americans viewed "black" or "Indian" as purely biological — and as such inflexible — classifications, Mexicans understood them as cultural categories as well. An Indian was not simply someone with Indian blood, but he was also an individual who behaved, dressed and spoke "like an Indian." A mid-19th century American visitor to the Southwest commented that while individual to change his racial classifications over time. Indeed, a host of the original settlers of Los Angeles changed their race between 1781 and 1790. For example, though identified as a mulatto in 1781, Manuel Camero had become a mestizo by the next census in 1790.

But once in charge, Anglo Americans imposed a more rigid racial order on the region. The first anti-miscegenation laws in the Southwest were passed not long after the Americans established control. Although Mexican Americans were generally not affected by this type of legislation, since under the treaty that ended the Mexican American War they were entitled to legally claim whiteness, they were nonetheless sensitive to the prejudice that inspired it. Whereas Texas and Arizona early on passed anti-miscegenation laws, New Mexico, with its large number of Mexican Americans in the territorial Legislature, refused to approve a similar measure. By the end of the 19th century, as Anglo migrants poured into the Southwest, racial lines had become less pliable and Anglo-Mexican intermarriage, which had been common in the years before and after the American takeover, became a rare occurrence.

In the South, the absence of black blood was the primary determinant of whiteness. But in the Southwest, whiteness — indeed Americaness — was more often defined in opposition to Mexicans. Whereas segregation against blacks was institutionalized, the segregation of Mexicans was generally extended unevenly and informally. Either way, it was understood that in the new order race was neither malleable nor subject to mixing.

The distinction between the Anglo and Latin approaches to racial difference stems from two competing theological strains of the Christian faith. Protestantism had emerged in Northern Europe contemporaneously with the spread of the printing press and the availability of books. Whereas for centuries, Latin Catholics had studied the Bible by looking at the magnificent stained glass windows of their cathedrals, Protestants were encouraged to make direct access to biblical texts. In other words, while Catholics internalized their beliefs through the use of

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DRIVING CALIFORNIA

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This does not mean that racism or the concept of race will disappear. But race will be seen as a more fluid category, similar to how we view ethnicity today.

symbol and ritual, Protestants stuck closely to the written word. Indeed, 16th-century Protestant reformers protested the prevalence of pagan superstition among the Christians of Europe and urged a more biblically-based or literal interpretation of God's will. Through the centuries, Catholicism had borrowed and absorbed a huge number of rituals and symbols from the very peoples they had converted. The more literal-minded Protestants sought to eliminate the open-ended ambiguity of folk Catholicism. The difficulty was that symbols are, by definition, open-ended. By contrast, printed texts lend themselves to more exacting and precisely defined interpretations.

The two Christian faiths' missionary efforts among the Indians of the Americas illustrate the fundamental difference in their attitude toward the "other." While Protestant missionaries tended to be rigid and uncompromising in their approach to indigenous religious, Catholics had learned to accept and sometimes encourage cultural and spiritual syncretism. Whereas Protestant missionaries were determined to preserve the doctrinal and cultural purity of their faith, Catholics willingly experimented with the fusion of disparate belief systems.

The Anglo-Protestant emphasis on theological purity and the Latin-Catholic willingness to accept blending presaged the differences between their respective approaches to race and racial mixture. The Anglo-American conception lent itself to the emergence of a pluralistic society, in which groups would and should remain distinct, while the Latin-Catholic world view encouraged the practice of racial, cultural and religious mixture, providing that the Latin-Catholic heritage remained the pre-eminent ingredient.

One cannot properly understand the increase in cross-ethnic marriage in California without acknowledging the Latinization of the state. While racial attitudes have become more liberal over the past generation, they alone don't account for the market increase in intermarriage. Today, two-thirds of multiracial and multiethnic births in California involve a Latino parent. The 1948 court case, *Perez v. Sharp,* that led to the end of anti-miscegenation laws in California was filed by a Mexican-American woman married to an African-American man. In other words, the rise of intermarriage in California is not occurring in a neutral field, but in an increasingly Hispanic Catholic context.

This does not mean that racism or the concept of race will disappear. But race will be seen as a more fluid category, similar to how we view ethnicity today. In other words, race will increasingly be understood as a cultural as well as a biological classification. The Latinization of California has facilitated the re-emergence of the Latin-Catholic view of race, but it is not likely to obliterate the Anglo-Protestant perspective. Indeed, the tension between the two world views is likely to stay with us for some time to come. For the foreseeable future, Californians will have to balance the dual notions of synthesis and separation, mixture and pluralism. In the meantime, the state and federal government should think twice about obliging all Latinos to conform to Anglo-American racial logic.

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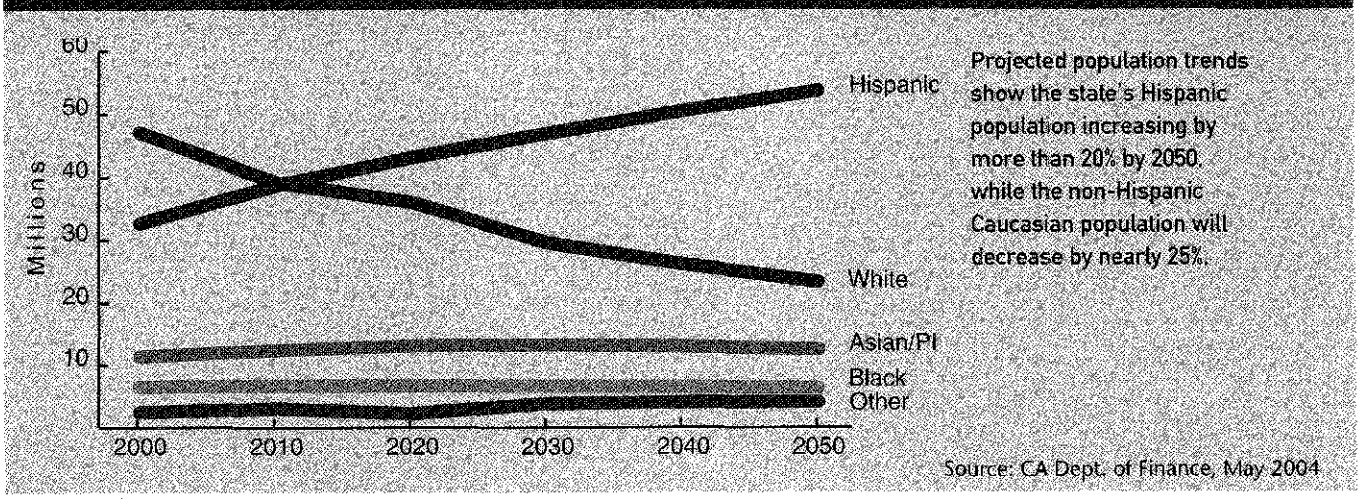

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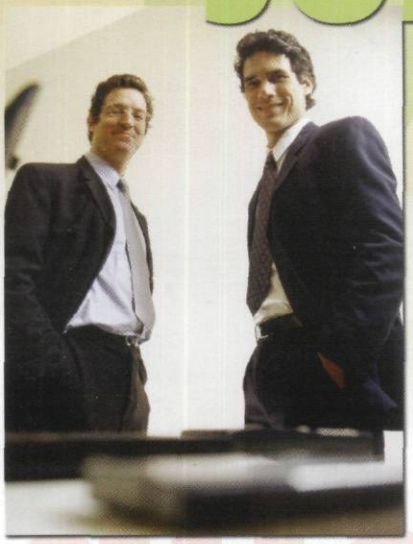

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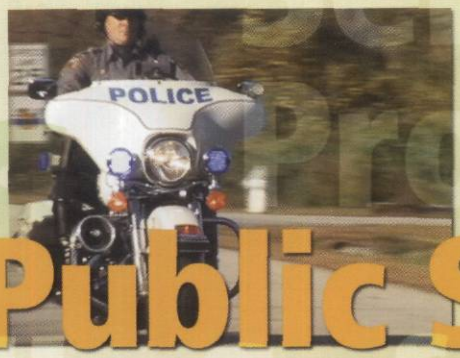

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